

JS Global Lifestyle

Bloomberg: 1691 HK Equity | Reuters: 1691.HK

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DBS Group Research . Equity

10 May 2022

BUY (Initiating Coverage)

Last Traded Price (10 May 2022): HK\$8.32 (HSI : 19,634)

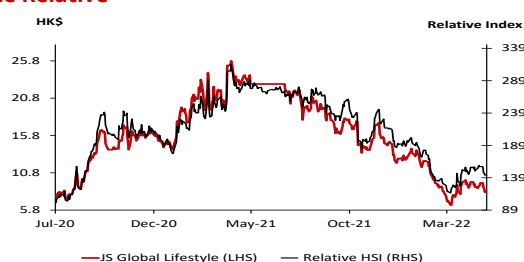
Price Target 12-mth: HK\$11.86 (42.5% upside)

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Price Relative



Forecasts and Valuation

FY Dec (US\$m)	2020A	2021A	2022F	2023F
Turnover	4,196	5,151	5,745	6,434
EBITDA	701	711	796	924
Pre-tax Profit	527	575	623	729
Net Profit	402	461	486	569
Net Profit Gth (%)	372.3	14.5	5.5	17.1
EPS (US\$)	0.10	0.12	0.13	0.15
EPS (HK\$)	0.82	0.97	1.03	1.20
EPS Gth (%)	447.4	19.2	5.5	17.1
Diluted EPS (HK\$)	0.81	0.97	1.03	1.20
DPS (HK\$)	0.27	0.41	0.44	0.51
DPS (HK cts)	26.92	41.37	43.62	51.07
BV Per Share (HK\$)	3.27	3.93	4.01	4.14
PE (X)	10.2	8.5	8.1	6.9
P/Cash Flow (X)	6.3	12.0	10.2	17.9
P/Free CF (X)	6.9	14.9	12.5	27.8
EV/EBITDA (X)	6.8	6.4	5.7	5.1
Net Div Yield (%)	3.2	5.0	5.2	6.1
P/Book Value (X)	2.5	2.1	2.1	2.0
Net Debt/Equity (X)	0.2	0.2	0.2	0.3
ROAE (%)	27.7	26.5	25.9	29.5

Earnings Rev (%):		New	New
Consensus EPS (US\$)		0.14	0.22
Other Broker Recs:	B:23	S:1	H:1

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Big growth for small appliances

- Amongst the leading small appliance players in key global markets, specialising in cooking & cleaning utensils that register sound consumer demand
- Synergies from multi-brand expansion in various markets and further product-mix upgrade should support growth and margins. We project 12% sales CAGR for FY21-23, c.30% ROE by FY23, relatively higher than most home appliance players
- Near-term re-rating catalysts include US import tariff cut for small appliances. Initiate coverage with a BUY (TP: HK\$11.86)

Further strategic expansion. Riding on successful acquisition of SharkNinja in 2017 and a group restructuring to list JS Global on the HK stock market since 2019, the company achieved a good ramp up in both revenue and profitability. Moving forward, SharkNinja's top brand awareness in the US and UK and its sound product R&D capabilities should sustain continual market share gains. Ongoing synergies with Joyoung from bundled sourcing and joint OEM collaborations should see further room for costs savings. Latest US tariff cut also support margins. By leveraging on the strong local expertise, supply chains and channel distribution of Joyoung, which ranks amongst top players in China, a more strategic localisation of SharkNinja's products for the Chinese market could also enrich overall medium-term potentials.

Where we differ. We are more prudent on FY22/FY23 GP margins of 38.8%/39.4% vs. consensus given low market visibility in the near-term. Yet, its ample room to expand in existing, and new, categories & markets should all support growth.

Valuation:

We value JS Global at HK\$11.86/share based on 11x rolling FY22 PE, equivalent to 0.5 S.D below its average PE to stay prudent. Current stock price is skewing towards a 2-year low amid high raw material costs, some logistics disturbances, and COVID-19 resurgence across various regional markets, offering a good opportunity on 12-month investment horizon.

Key Risks to Our View:

Trade policy changes; market response on new products; raw material price risks; intensified competition; macro downturn

At A Glance

Issued Capital (m shrs)	3,495
Mkt Cap (HKm/US\$m)	28,694 / 3,655
Major Shareholders (%)	
JS Holding, L.P.	45.9
Sol Omnibus SPC	9.5
CITIC Private Equity Funds Management Co., Ltd.	6.4
CDH Investments	6.1
Free Float (%)	32.1
3m Avg. Daily Val. (US\$m)	11.84
GICS Industry: Consumer Discretionary / Consumer Durables & Apparel	



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JS Global Lifestyle

Investment Summary

Strong medium-term prospects. JS Global is amongst the leading players in small home appliances. It contains two major business divisions - Joyoung and SharkNinja. Joyoung mainly focuses on small kitchen appliances in the China market, while SharkNinja focuses on kitchen appliances and home environmental appliances in North America, Europe, Japan, and other regions around the world. Riding on a good foundation and strong brand awareness, JS Global should be able to sustain a double-digit CAGR over the medium-term, given its targets to further expand its existing product categories and operating markets, cultivating newer product lines & categories, as well as extending its operations into new international markets.

Continous regional expansion. Prior to the acquisition of SharkNinja back in 2017, a majority of the company's revenue was generated in the Chinese market. The acquisition has enabled its instant expansion into key global markets, including the US and UK. In particular, its North American revenue showed a rapid increase from US\$7.5m in 2016 to US\$1,457m in 2019, which continued to grow well in both 2020 and 2021 even with the outbreak of the COVID-19 pandemic. Revenue in Europe also grew from US\$4.8m in 2016 to US\$616.8m in 2021, given successful entrance of SharkNinja into the UK market. Leveraging on its strong success, JS Global will continue to expand into other markets strategically, including some of the major European markets like Germany, France, Italy, Spain, etc. to expedite growth. Such development should potentially double or even triple its current scale of operations in the UK in two to three years. Additionally, SharkNinja's recent plans to ride on Joyoung's expertise, market intelligence and channels for better localisation of its products in China should further open up more opportunities for growth.

Advantages on GP margins. Over the years, the high-margin SharkNinja division has driven a steady expansion of the JS Global profitability, given its sound GP margin that is nearly 10ppt higher than Joyoung's c.30% GP margin in recent years. On the back of strong product research & development (R&D) capabilities to address consumer pain points, its continuous product-mix upgrades, and the company's further expansion of SharkNinja into newer strategic markets in Europe and other key Asia-Pacific regions, JS Global should be in a more favourable position than some of its peers to maintain a sound GP margin ahead.

Product innovation drives premiumisation. SharkNinja has achieved industry-leading market shares in both the North American and UK markets. By leveraging on strong R&D, the division continues to achieve steady market share expansion, and has overtaken other renowned brands in

some cases, such as Dyson (upright vacuum cleaner category) in the UK market since 2020. Shark and Ninja will continue to expand its product categories, including high-growth products such as robotic vacuum cleaners, electric floor scrubbers, electrical cooking pots, etc. Following its roll-out of new cookware and cutlery products in 1H22, new product launches for 2H22 will also include outdoor kitchen appliances (e.g., outdoor grill) etc. to maintain a good growth momentum. Overall speaking, in recent years, its new categories normally contribute to over 20-25% of SharkNinja's revenue each year.

Further room for cost savings. JS Global has demonstrated its niche in costs management, saving US\$50m each year since 2020 via positive synergies between the operations of SharkNinja and Joyoung. The company continues to expect c.US\$50m supply chain savings for this year that could help to offset higher raw material and ocean freight costs. Specifically, the two key areas for cost retrenchments include: (1) centralised sourcing of raw materials (e.g. plastics, metals, chips, packaging, etc.) for Ninja, as both Ninja and Joyoung focus on kitchen appliance products, while Ninja previously purchased raw materials in China at 3-4 times higher prices versus Joyoung hence conveniently capturing a huge room for improvement; and (2) more OEM collaborations by recruiting the same vendors to manufacture similar product parts altogether for SharkNinja and Joyoung to enjoy better economies of scale and lower unit costs.

Latest tariff cuts to cushion possible cost pressure. On 23 Mar 2022, the US government had announced some tariff exemptions to be reinstated for selected Chinese imports, including small home appliances such as vacuum cleaners, air fryers, etc. Therefore, starting in 2Q22, JS Global will no longer be required to pay a 25% tariff when importing its products from China to the US market. As the new policy has been dated back to take effect from Oct 2021 onwards, the company will also enjoy tariff refunds for the period of Oct 2021 to Mar 2022, while such reimbursement should also be booked into this year. All such benefits could be equivalent to a 2-3ppt cost savings, in terms of revenue, hence further balancing out any cost impacts that are coming from higher raw material prices.

Initiating coverage with TP of HK\$11.86, BUY. We expect JS Global to sustain a double-digit CAGR over the medium-term, and value the company at HK\$11.86/share, based on 0.5 S.D. below its average PE. Our target price offers a 43% upside from the current price level, and we recommend a BUY on a 12-month investment horizon.

Key investment risks. Unfavourable raw material price fluctuations and trade policy changes may bring cost pressure and resistance to further expansion. Negative impacts of the COVID-19 pandemic could affect macroeconomic environment and consumer sentiment.

JS Global Lifestyle

Valuation & Peer Comparison

We value JS Global at HK\$11.86/share based on 11x rolling FY22 PE, equivalent to 0.5 S.D below its average PE to stay prudent.

Current stock price is skewing towards a 2-year low amid high raw material costs, logistics disturbances, and COVID-19 resurgence across various regional markets, offering a good opportunity to accumulate the counter on a 12-month investment horizon.

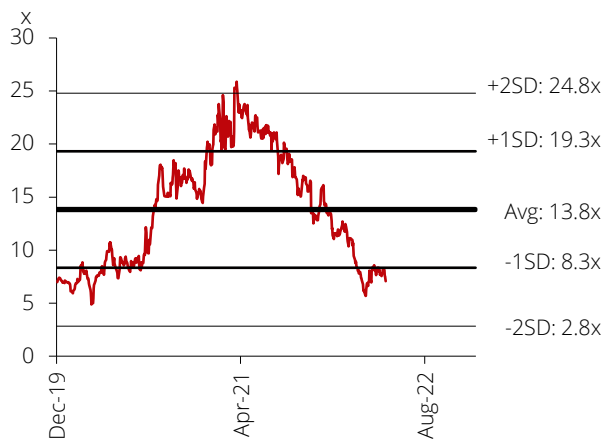
JS Global possesses top-ranked brands in the cleaning and kitchen appliance industries, and sustains synergies from

multi-brand expansion in key consumer markets globally. Further product-mix upgrades should also support growth and profitability.

We project c.30% ROE for JS Global by FY23F, a relatively higher level as compared to most listed home appliance operators.

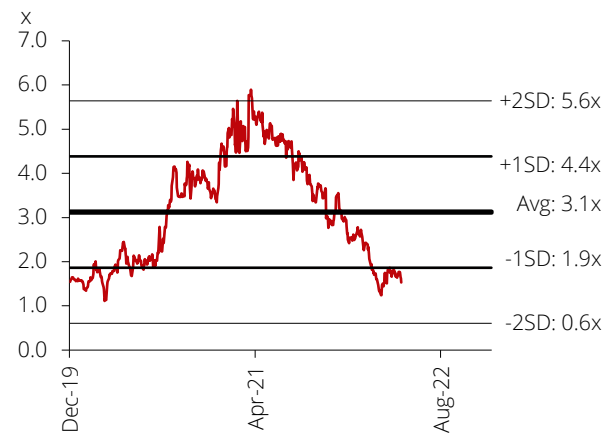
Near-term catalysts should include import tariff cut and tariff refunds in the US for small home appliance products, favouring JS Global's profit margins this year, especially given the current operating conditions with high raw material costs and COVID-19 resurgence. We initiate coverage on JS Global with a BUY recommendation.

PE band chart



Source: Thomson Reuters, DBS Vickers

PB band chart



Source: Thomson Reuters, DBS Vickers

JS Global Lifestyle

Peer comparison

Company	Code	Price local	Target price local	Recom	TP local	Mkt Cap	Fiscal	FY20					FY21F					FY22F					
								PE	P/S	Yield	PB	ROE	PE	P/S	Yield	PB	ROE	PE	P/S	Yield	PB	ROE	
		\$	\$		\$ US\$m		Yr	x	x	%	x	%	x	x	%	x	x	%	x	x	%	x	%
White appliance																							
Midea Group	000333 CH CNY	52.5	93.94	BUY	38.0	55,768	Dec	25.0	2.4	3.0	5.8	24.8	12.8	1.1	3.5	2.7	21.8	11.1	1.0	4.0	2.4	21.9	
Haier Smart Home	600690 CH CNY	23.6	32.98	BUY	42.0	32,331	Dec	15.1	0.9	1.9	2.5	17.8	17.0	0.9	2.2	2.9	17.3	14.6	0.8	2.5	2.4	17.1	
Gree Electric Appliances	000651 CH CNY	30.2	n.a.	NR	35.0	27,135	Dec	16.7	2.2	6.6	3.2	19.7	7.8	1.0	7.2	1.5	19.1	6.8	0.9	8.3	1.3	19.8	
Hisense Home Appliances	000921 CH CNY	11.1	n.a.	NR	13.0	1,953	Dec	10.6	0.2	1.9	1.0	9.7	11.4	0.2	3.1	1.4	12.5	11.0	0.2	2.7	1.3	12.0	
Average								16.9	1.4	3.4	3.1	18.0	12.2	0.8	4.0	2.1	17.7	10.9	0.7	4.4	1.9	17.7	
Black appliance																							
Hisense Visual Technology	600060 CH CNY	9.9	n.a.	NR	8.0	1,974	Dec	12.6	0.4	2.8	1.0	7.9	9.9	0.3	2.9	0.8	8.1	8.2	0.2	3.4	0.7	9.1	
Average								12.6	0.4	2.8	1.0	7.9	9.9	0.3	2.9	0.8	8.1	8.2	0.2	3.4	0.7	9.1	
Small appliance																							
Clean appliance																							
Ecovacs Robotics	603486 CH CNY	105.0	n.a.	NR	28.0	9,149	Dec	42.0	6.5	1.0	16.6	49.1	29.6	4.7	1.2	12.2	44.3	22.4	3.4	1.4	8.4	39.8	
Beijig Roborock Technology	688169 CH CNY	561.9	n.a.	NR	28.0	5,698	Dec	38.7	9.3	0.4	6.4	18.0	26.6	6.4	0.5	4.5	17.4	21.0	4.9	0.6	3.7	17.8	
Environmental appliance																							
Ningbo Deye Technology	605117 CH CNY	211.1	n.a.	NR	10.0	5,468	Dec	74.0	10.3	0.6	17.7	33.0	63.5	8.5	0.6	13.4	28.2	41.4	6.6	0.8	10.5	25.4	
Personal care appliance																							
Shanghai Flyco Electrical	603868 CH CNY	54.6	n.a.	NR	9.0	3,613	Dec	29.5	4.7	1.8	6.2	21.8	34.1	5.9	2.0	7.5	22.1	30.8	5.2	2.1	6.7	22.5	
Shenzhen Breo Technology	688793 CH CNY	41.0	n.a.	NR	18.0	384	Dec	60.1	4.6	1.5	9.8	20.6	23.4	2.1	1.2	4.3	23.6	17.6	1.5	1.4	3.2	19.5	
Shanghai Rongtai Health	603579 CH CNY	23.0	n.a.	NR	5.0	488	Dec	19.1	1.7	3.0	2.5	11.7	12.5	1.3	2.8	1.7	14.0	11.1	1.1	3.7	1.6	14.8	
Kitchen small appliances																							
Zhejiang Supor	002032 CH CNY	52.9	n.a.	NR	29.0	6,490	Dec	25.9	2.3	7.3	6.6	26.2	21.7	2.0	2.5	5.2	24.2	18.7	1.8	3.7	4.7	26.2	
Bear Electric Appliance	002959 CH CNY	44.3	n.a.	NR	20.0	1,052	Dec	35.2	2.8	1.4	4.8	14.0	22.1	1.9	2.0	3.2	14.5	19.5	1.7	2.4	3.0	15.1	
Joyoung	002242 CH CNY	13.7	n.a.	NR	26.0	1,593	Dec	23.9	1.7	14.6	4.2	17.4	10.9	0.9	6.9	2.3	20.9	12.4	0.9	6.9	2.3	18.7	
Guangdong Xinbao Electric	002705 CH CNY	14.6	n.a.	NR	16.0	1,829	Dec	25.7	1.4	4.1	3.3	13.1	15.0	0.8	2.5	1.8	12.2	11.5	0.7	3.6	1.7	14.5	
Shenzhen Crastal Technology	300824 CH CNY	10.9	n.a.	NR	11.0	540	Dec	37.5	4.8	1.5	5.7	15.8	32.6	4.2	1.5	4.8	14.7	26.4	3.5	1.7	4.3	16.5	
Average								37.4	4.6	3.4	7.6	21.9	26.5	3.5	2.1	5.5	21.5	21.2	2.8	2.6	4.6	21.0	
Kitchen appliance																							
Zhejiang Meida	002677 CH CNY	13.4	n.a.	NR	20.0	1,316	Dec	16.8	5.2	4.9	5.7	36.4	12.9	4.0	5.4	4.4	33.4	11.0	3.4	5.7	3.6	32.9	
Vatti	002035 CH CNY	4.7	n.a.	NR	12.0	605	Dec	18.8	1.8	3.2	2.4	13.2	9.7	0.7	3.3	1.1	12.0	7.9	0.7	3.9	1.0	13.8	
Hangzhou Robam	002508 CH CNY	28.8	n.a.	NR	38.0	4,142	Dec	25.5	3.4	1.7	3.9	16.0	20.4	2.7	2.0	3.0	17.1	12.4	2.3	2.7	2.6	21.2	
Marssenger Kitchenware	300894 CH CNY	28.8	n.a.	NR	19.0	1,773	Dec	52.9	8.6	1.0	13.5	26.6	28.3	5.0	1.7	7.4	26.1	23.0	3.8	2.1	6.1	28.1	
Zhejiang Sanfer Electric	605336 CH CNY	26.8	n.a.	NR	8.0	578	Dec	19.5	4.9	5.2	2.5	13.7	14.5	3.9	2.5	1.8	12.9	12.3	3.1	3.2	2.0	14.8	
Average								26.7	4.8	3.2	5.6	21.2	17.2	3.3	3.0	3.6	20.3	13.3	2.7	3.5	3.0	22.1	
Consumer appliance																							
Chengdu Xgimi Technology	688696 CH CNY	379.0	n.a.	NR	21.0	2,877	Dec	54.7	6.6	0.8	10.0	27.3	39.1	4.7	0.8	9.0	30.1	28.7	3.4	0.9	5.8	21.4	
Average								54.7	6.6	0.8	10.0	27.3	39.1	4.7	0.8	9.0	30.1	28.7	3.4	0.9	5.8	21.4	
Lighting																							
Oppl Lighting	603515 CH CNY	15.6	n.a.	NR	12.0	1,782	Dec	17.3	1.8	3.2	4.3	15.6	13.2	1.3	3.0	2.0	15.4	11.7	1.2	3.3	1.8	15.9	
Average								17.3	1.8	3.2	4.3	15.6	13.2	1.3	3.0	2.0	15.4	11.7	1.2	3.3	1.8	15.9	
A share stocks average																							
								30.3	3.8	3.2	6.1	20.4	21.3	2.8	2.7	4.3	20.1	17.0	2.3	3.1	3.5	19.9	
Haier Smart Home *	6690 HK HKD	25.7	39.58	BUY	20.0	32,331	Dec	15.1	0.9	2.1	2.5	17.8	15.0	0.9	2.4	2.6	17.9	13.3	0.9	3.0	2.2	17.7	
Hisense Home Appliance	921 HK HKD	7.5	n.a.	NR	5.0	1,953	Dec	10.6	0.2	3.4	1.0	9.7	6.3	0.2	4.9	0.8	6.3	6.8	0.2	5.8	0.7	12.3	
TCL Electronics Holdings	1070 HK HKD	3.4	n.a.	NR	6.0	1,094	Dec	8.2	0.1	4.9	0.6	6.9	5.7	0.1	6.8	0.5	9.8	7.4	0.1	3.8	0.5	5.8	
JS Global	1691 HK HKD	8.9	11.86	BUY	24.0	3,968	Dec	13.6	1.1	4.6	3.2	24.2	9.0	0.8	3.5	2.1	23.2	7.9	0.7	4.8	1.7	23.0	
Vesync	2148.HK HKD	5.6	n.a.	NR	10.0	831	Dec	33.0	3.0	1.1	4.5	14.5	11.9	1.7	2.8	2.3	23.9	12.3	1.4	2.7	2.4	16.7	
HK-listed stocks average								16.1	1.1	3.2	2.3	14.6	9.6	0.7	4.1	1.6	16.2	9.5	0.7	4.0	1.5	15.1	
A.O.Smith	AOS US USD	62.9	n.a.	NR	14.0	9,875	Dec	29.7	3.9	1.8	7.4	26.5	21.6	2.8	1.7	5.7	26.2	17.8	2.4	1.8	5.4	30.0	
Philips Elton.Koninklijke	PHIA NA EUR	24.5	n.a.	NR	23.0	22,714	Dec	48.9	1.7	3.5	2.0	25.2	13.8	1.3	3.4	1.7	15.8	15.0	1.2	3.6	1.5	8.4	
LG Corp	003550 KS KRW	71900	n.a.	NR	14.0	8,898	Dec	6.5	2.7	3.9	0.6	12.1	4.3	1.3	3.6	0.5	13.8	5.0	1.4	4.1	1.5	10.4	
Samsung Electronics	005930 KS KRW	64700	n.a.	NR	43.0	303,891	Dec	13.6	1.7	2.2	1.6	12.2	10.8	1.4	2.2	1.5	14.2	9.1	1.2	2.2	1.3	14.8	
Electrolux B	ELUXB SS SEK	153.6	n.a.	NR	19.0	4,834	Dec	13.5	0.5	6.0	3.3	25.1	8.4	0.4	5.9	2.5	28.8	9.2	0.4	6.2	2.3	24.3	
De'Longhi	DLG IM EUR	22.6	n.a.	NR	10.0	3,581	Dec	15.2	1.5	3.7	3.0	21.9	11.0	1.1	3.6	2.3	22.0	13.5	1.1	3.1	2.0	15.1	
Global peers average								21.2	2.0	3.5	3.0	20.5	11.6	1.4	3.4	2.4	20.1	11.6	1.3	3.5	2.2	17.2	

Based on closing prices as at 28 Apr 2022

Source: Bloomberg Finance L.P., DBS HK

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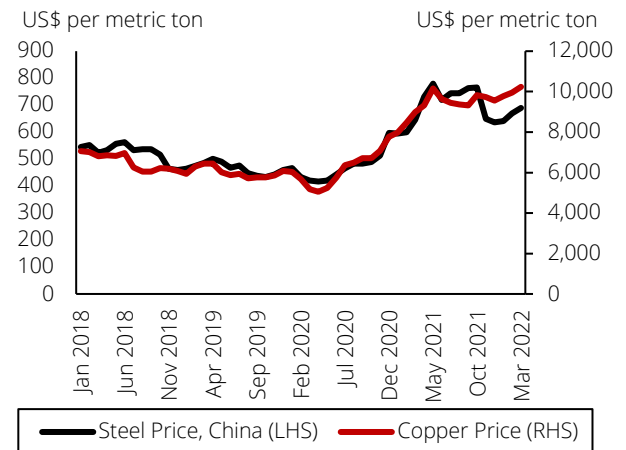
Key Risks

Changes in trade policies. Global expansion is an important driver of the company's future growth. Therefore, substantial changes in regional trade policies, such as tariff increases, may put pressure on exports and lead to limited revenue growth in overseas markets. The company may face the risk of performing below expectations.

Risk of R&D innovation capacity. Diversified multi-category expansion is the main driver of future revenue expansion and a steady improvement in the GP margin. Hence, an insufficient innovation ability will lead to lower-than-expected new product development and consumer acceptance.

Raw material price risks. Raw materials are the most important component of the COGS. The rapid increase in the price of raw materials in the appliance industry will lead to a significant increase in the production cost, and accordingly, home appliance companies would raise the product prices to maintain profits.

Steel and Copper Prices



Source: Euromonitor

Intensified competition. The entry barriers in the small home appliance industry are relatively low. Increased market competition may lead to price wars and resistance to the company's market expansion.

Macroeconomic downturn. COVID-19 affects residential income and consumer confidence. Given the strong correlation between the demand for consumer goods and the macroeconomic environment, a downturn in the overall economy will directly affect consumer demand, which in turn will affect the company's overall performance.

JS Global Lifestyle

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong brand image in the small cooking appliance market in China • Omni-channel layout across the main markets • Advantages in supply chain enhancement and bargaining power • Multi-brand strategy expands business segments • Increasing product recognition by the market, given the strong R&D capability 	<ul style="list-style-type: none"> • Late entry into the cleaning appliance market in China • The overall profitability would be largely affected by raw material costs
Opportunities	Threats
<ul style="list-style-type: none"> • Growth potential in small appliance market in China • Consumer demand for better living standards and high-quality products is increasing • Further synergy effects across its business segments • Increasing awareness of the brand and increasing positive feedback from the market • Future growth potential in untapped European markets 	<ul style="list-style-type: none"> • Fierce competition from the small home appliance industry over time • COVID resurgence may affect consumption demand • Insufficient supply of raw materials or major components (e.g., chips) • Unfavourable restrictions in trade policy

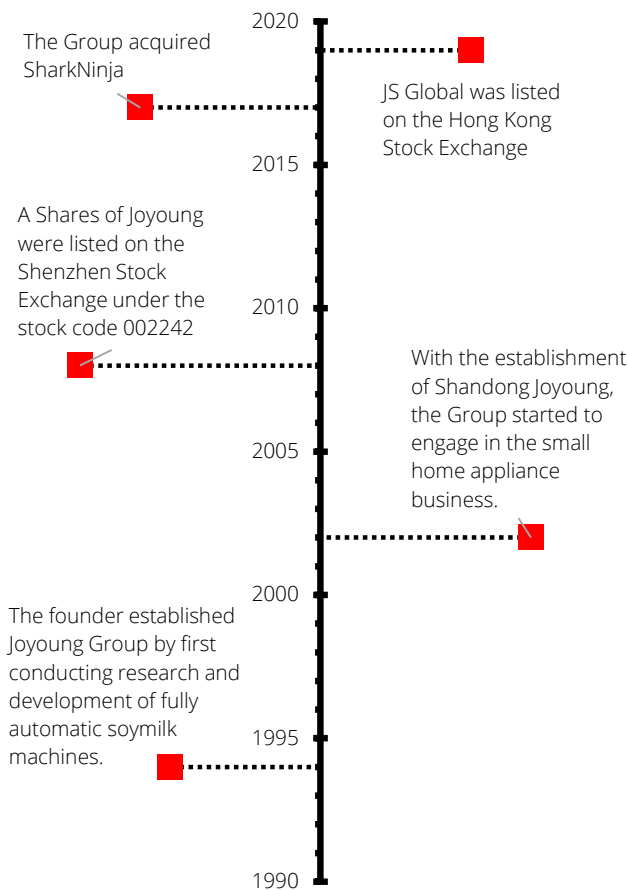
Source: DBS HK

JS Global Lifestyle

Company Background

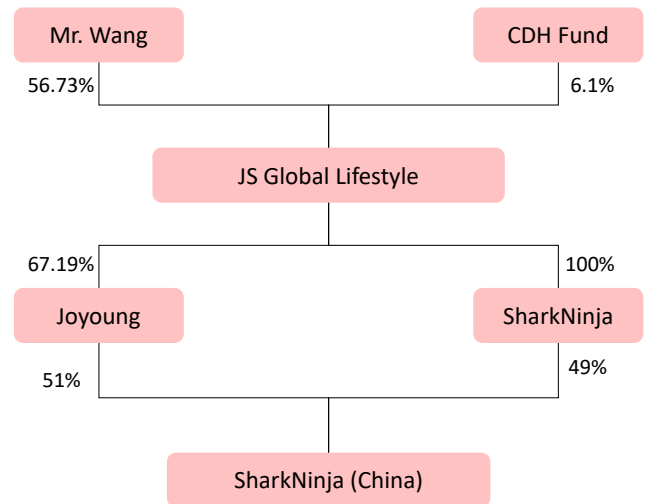
Company history. JS Global was formed with the acquisition of SharkNinja by the Joyoung Group. It owns three leading global small appliance brands, including Joyoung, Shark, and Ninja, focusing on small kitchen appliances and home environmental appliances. The company started as a soymilk machine manufacturer and has been deeply involved in the small home appliance industry for many years. Through the acquisition of SharkNinja, the company gradually expanded the application of its products from the kitchen to the living room and expanded its business scope from the China market to overseas markets.

Development History



Source: Post Hearing Information Pack of JS Global Lifestyle, DBS HK

Shareholding Structure (as of 2022 Apr 27)



Source: Wind, DBS HK

Two segments, three brands. Following the acquisition of SharkNinja, the company established two business divisions, Joyoung and SharkNinja, for global business development. Joyoung focuses on the mid to high-end small kitchen appliance market in China, while Shark and Ninja target the mid to high-end market in North America and other regions. Shark focuses on home environmental appliances, while Ninja deepens its focus on kitchen appliances.

JS Global's Three Brands

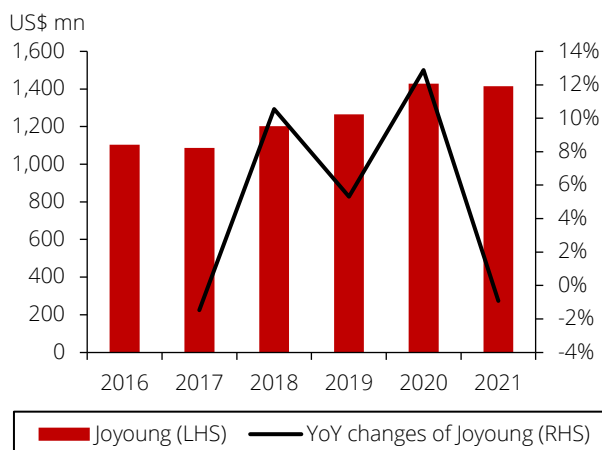


Source: Company website

Given the strong market position in the food preparation appliance and small cooking appliance markets in China, the Joyoung division showed stable growth with a CAGR of 5.1% from 2016-2021.

JS Global Lifestyle

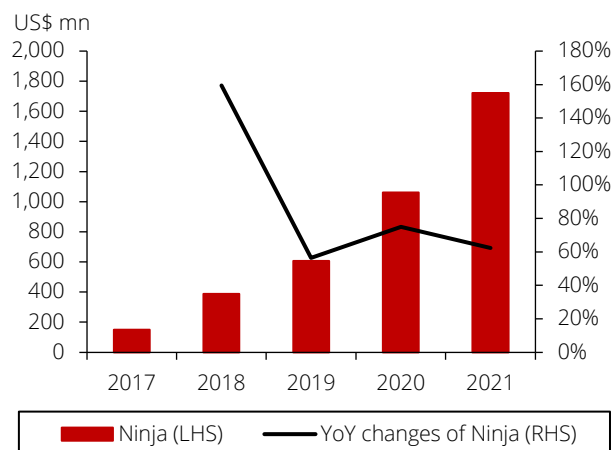
Joyoung Revenue



Source: DBS HK

The SharkNinja division saw a rapid growth in revenue after the acquisition, achieving US\$3,714.9m in 2021, of which the Shark brand's revenue was US\$2,013m, up by 18% y-o-y with a CAGR of 57.5% from 2017-2021; and the Ninja brand's revenue was US\$1,722.5m, up 62.3% y-o-y with a CAGR of 84.2% from 2017-2021.

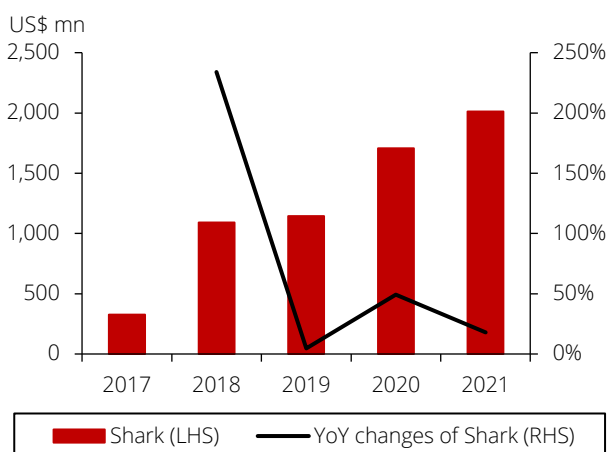
Ninja Revenue



Source: DBS HK

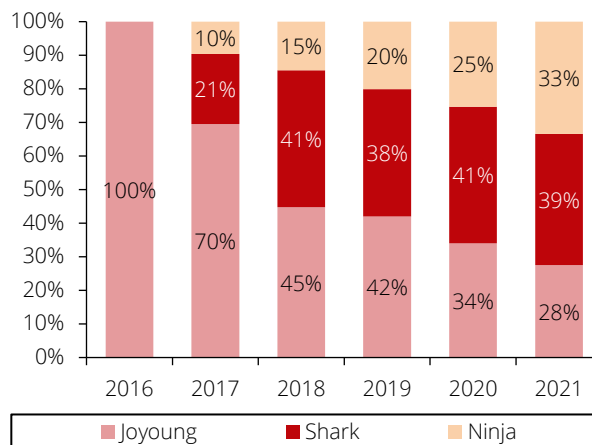
Multi-brand, multi-segment. After the acquisition, the company implemented a multi-brand strategy. As of 2021, the revenue contribution of Joyoung, Shark, and Ninja reached 28%, 39%, and 33%, respectively.

Shark Revenue



Source: DBS HK

Revenue Contribution by Brand

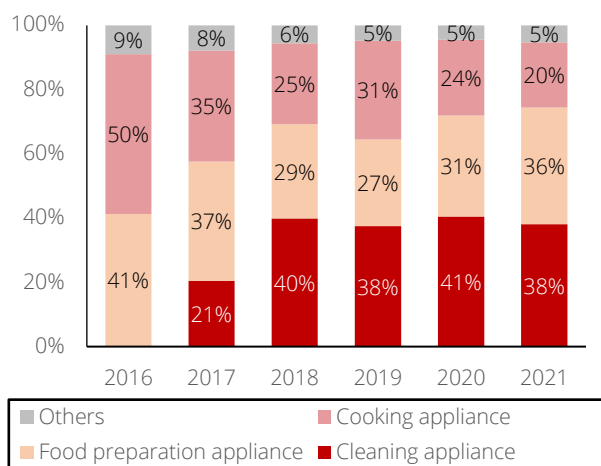


Source: DBS HK

Meanwhile, benefiting from category expansion, the cleaning appliance business under Shark has enriched the company's product mix, with application scenarios extending from the kitchen to the living room. Cleaning appliances has become the company's largest segment since 2018, with around a 40% contribution to total revenue.

JS Global Lifestyle

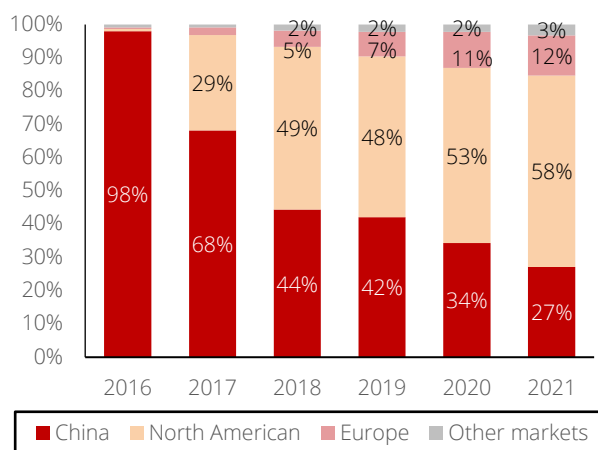
Revenue Contribution by Segment



Source: DBS HK

Deepening international layout. Prior to the acquisition of SharkNinja, 98% of the company's revenue came from the China market. Meanwhile, the company's revenue and share of the North American market has increased rapidly after the acquisition. Four years after the acquisition, the North American market has contributed more than half of the group's revenue. In 2021, North America and Europe revenue reached US\$2,964m and US\$616.8m, respectively, accounting for 58%/37% of total group revenue, with a y-o-y growth rate of 34.1%/36.7%.

Revenue Contribution by Region



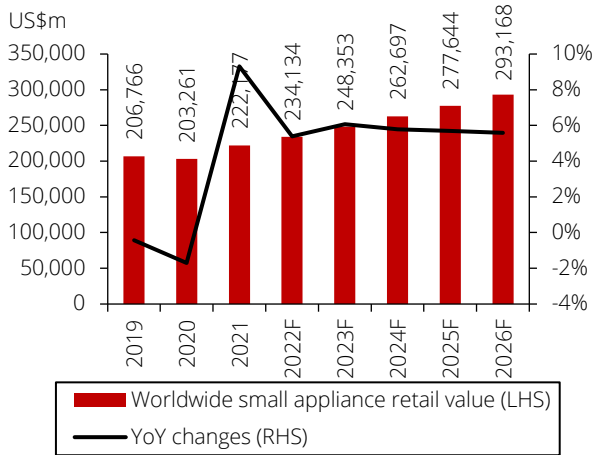
Source: DBS HK

JS Global Lifestyle

Growth Drivers and Critical Factors

Global small appliance market overview. The size of the global small home appliance market increased from US\$176,575m to US\$222,177m during 2016-2021, with a CAGR of 4.7%, and is expected to increase to over US\$290,000m with a CAGR of 5.8% in the next five years.

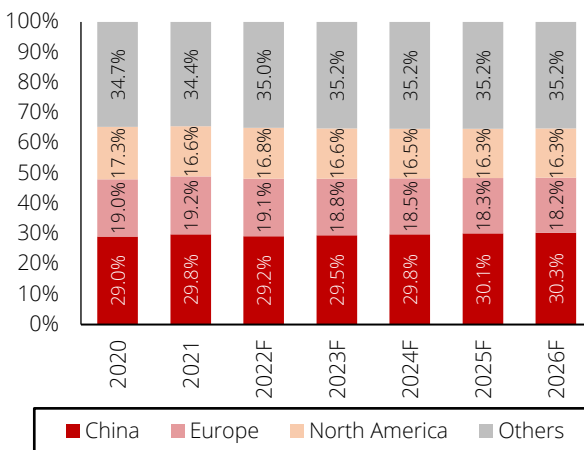
Global Small Appliance Market Size



Source: Euromonitor

China, Europe, and North America are the top three markets, accounting for 29.8%, 19.2%, and 16.6% of the global small appliance market in terms of retail value, respectively. The China market became the largest single market.

Major Market Share of Small Appliances

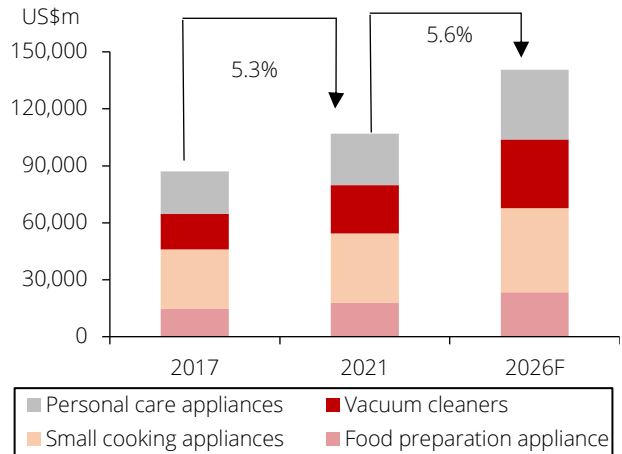


Source: Euromonitor

Among different segments, the vacuum cleaner market is expected to be the main growth point with a CAGR of 7.6%

from 2022 to 2026, while food preparation appliances and personal care appliances are expected to expand at around a 5.2% and 5.7% CAGR, respectively.

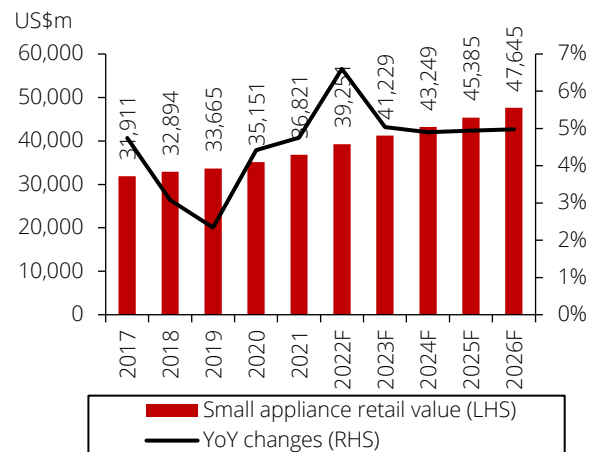
Global Segmental Market Size Growth



Source: Euromonitor

Overseas market. The US market, the main market of JS Global, is relatively mature, and the overall market size is growing at a stable pace. In 2021, the market size reached US\$36,821m, up by 4.8% y-o-y, and is expected to further expand at around a 5% CAGR in the next five years.

Small Appliance Market Size in North America

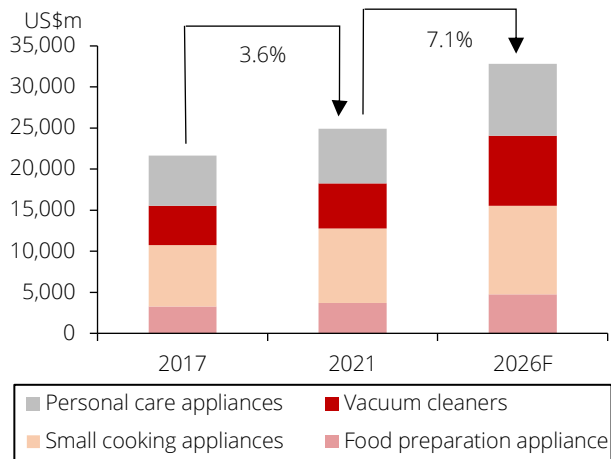


Source: Euromonitor

The vacuum cleaner market is expected to be the main growth point with a CAGR of >6% from 2022 to 2026, while food preparation appliances and personal care appliances are expected to expand at >4% CAGR.

JS Global Lifestyle

Segmental Market Size Growth in North America



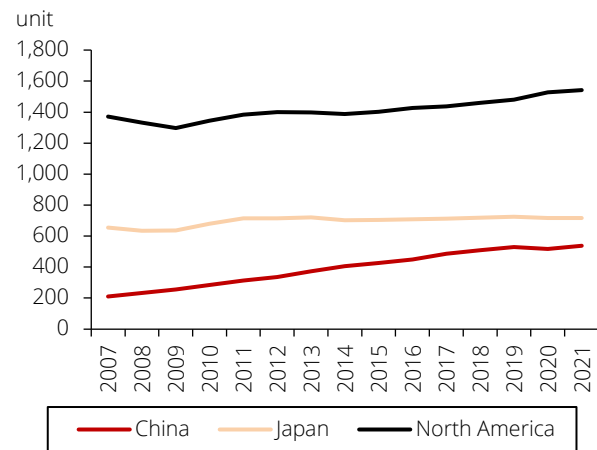
Source: Euromonitor

To capture the growth opportunities in the US market as well as other overseas markets, JS Global accelerated its efforts in global market expansion and product segment enrichment. By launching a series of new products, including cordless vacuums, robotic vacuums, indoor grills, air-fry ovens, toasters, etc., the company achieved a significant expansion in its market share. In 2021, SharkNinja’s market share in the US in cleaning/cooking/food preparation appliances reached 30.9%/27.4%/33.1%; in Great Britain, its market share in vacuum cleaners/food preparation appliances/electrical cooking pots reached 30.1%/12.5%/47.6%. Meanwhile, the company also achieved positive performance in other overseas markets, including Japan, Germany, Italy, Spain, etc., with a y-o-y revenue growth of 78.8% in 2021.

Apart from the expansions in the current product segments, the company is also actively expanding new segments and launched the fast-drying hair blow dryer, its first personal care product, in 4Q21.

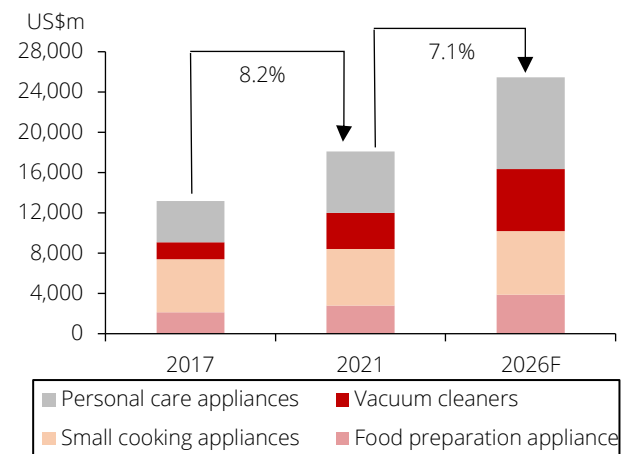
China market opportunities. The China market has low ownership of small appliances. In 2021, China’s average ownership per 100 people of 538 units was merely 1/3 of the US, and it still has ample room to grow. Among each segment, the vacuum cleaner market showed the fastest growth and maintained a CAGR of 21% from 2017 to 2021. However, compared to developed markets such as Europe and the US, with over a 90% penetration rate for vacuum cleaners, the China market’s penetration rate was only about 20% as of 2021. Food preparation appliances and personal care appliances scored a 7% and 10.4% CAGR from 2017 to 2021, respectively, higher than the global average.

Average Small Appliance Ownership per 100 people



Source: Euromonitor

Segmental Market Size Growth in China

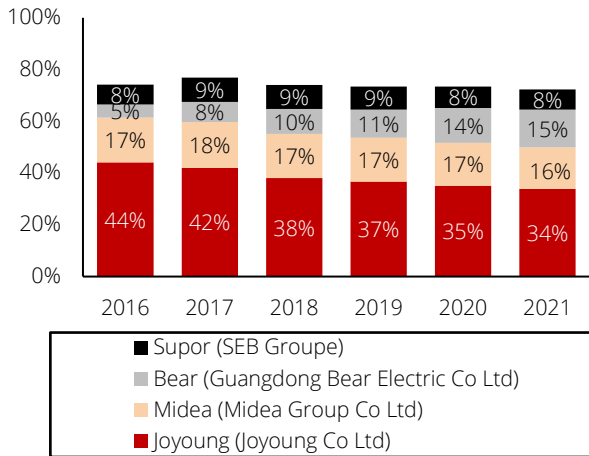


Source: Euromonitor

With nearly 30 years in the kitchen appliance industry, coupled with its product innovation capability, Joyoung achieved a stable market position, ranking first and third in the food preparation appliance and small cooking appliance markets, respectively. It is expected that the continuous new product R&D, enhancement of new retail channels, and enrichment of the price range will bring further growth in the domestic market. Meanwhile, the company’s layout in the domestic cleaning appliance market will be accelerated by leveraging Joyoung’s omni-channel advantage and Shark’s cleaning appliance technology.

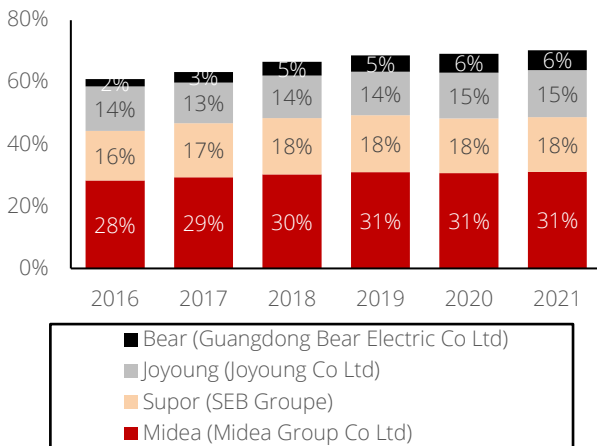
JS Global Lifestyle

Market Share of Food Preparation Appliances in China



Source: Euromonitor

Market Share of Small Cooking Appliances in China

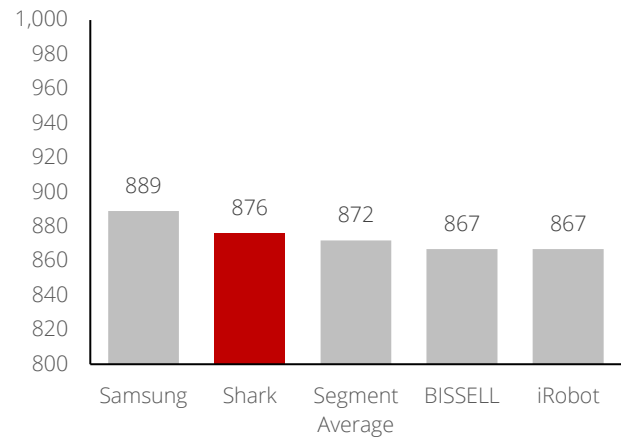


Source: Euromonitor

Outstanding product innovation. The company's global R&D centres running around the clock are located in five cities (Hangzhou, Shenzhen, Suzhou, Boston, and London) in China, the US, and the UK. The R&D process comprises product planning and development phases. In the product planning phase, the company focuses on new technology development (NTD), based on industry expertise and consumer insights, and formulates predictive market trend watchlists and product roadmaps for the next one to five years. In the product development phase, the company will take approximately two to three months to produce a product blueprint through in-house NTD and build prototypes for product trials and continuously modify the prototype.

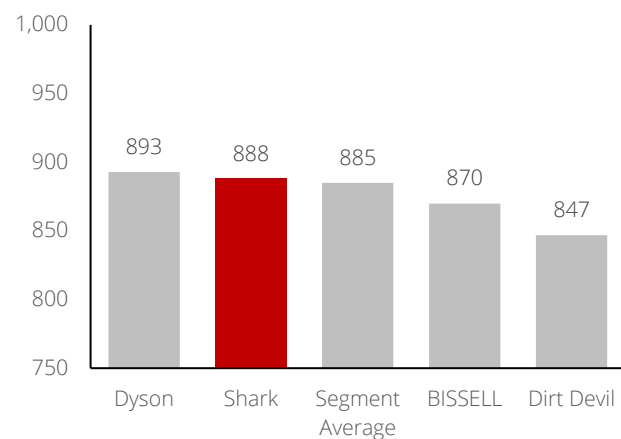
Excellent R&D capabilities support new product innovations, which are aimed at addressing the pain points, such as hair wrap, indoor barbecue fumes, etc. Shark now ranks first in the upright vacuum sector and ranks second in stick vacuum and robot vacuum. Ninja holds nearly half of the market share for electrical cooking pots in Great Britain and 35.1% in the deep fryer market.

2021 US Vacuum Satisfaction Study: Robot Vacuum



Source: 2021 U.S. Vacuum Satisfaction Study of J.D. Power

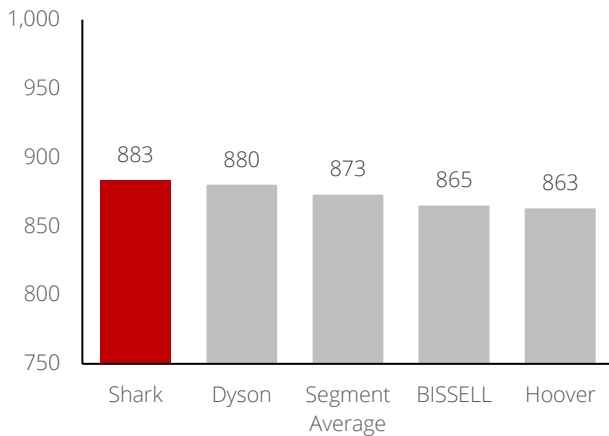
2021 US Vacuum Satisfaction Study: Stick Vacuum



Source: 2021 U.S. Vacuum Satisfaction Study of J.D. Power

JS Global Lifestyle

2021 US Vacuum Satisfaction Study: Upright Vacuum



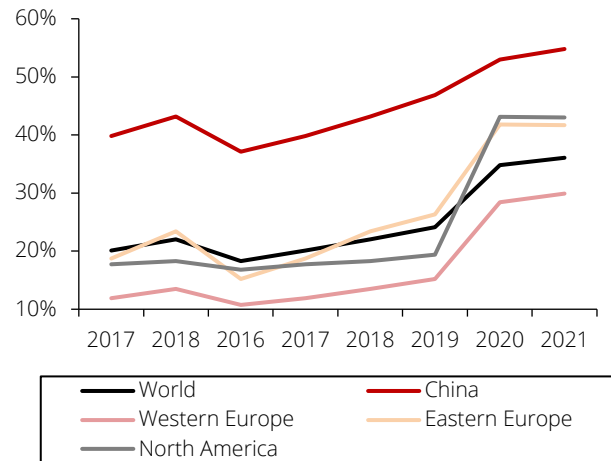
Source: 2021 U.S. Vacuum Satisfaction Study of J.D. Power

Channel advantages. Joyoung has formed diversified channels in the domestic market. By cooperating with distributors and retailers and promoting new, integrated channels such as shopping malls, Joyoung has established more than 40,000 sales points, covering one to four-tier markets. In addition to large distributors such as Tmall, JD, Suning, and GOME, Joyoung is also laying out new retail channels. As of 2021, its online channel revenue contribution reached 58.57%. On the back of Joyoung’s channel advantages and omni-channel strategy, Shark was rapidly promoted through Joyoung’s offline sales network.

SharkNinja adopted localised channel strategies for different markets. In the offline channel, SharkNinja covers the North American market through large chain retailers such as Walmart and other small retailers, and cooperates with local chain retailers in Europe, Japan, and other markets to increase channel penetration. COVID-19 brought a significant increase in e-commerce penetration, and the company’s layout on large e-commerce platforms (e.g., Amazon) should enhance the medium-term outlook.

For untapped potential markets, SharkNinja adopted distribution models to reduce operating costs and increase brand awareness by partnering with international distributors.

E-commerce Penetration of Small Appliances



Source: Statista

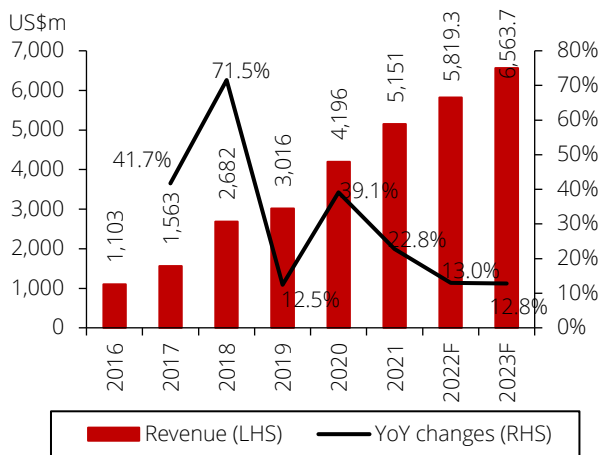
US removes import tariffs. Given the latest announcement by the United States Trade Representative’s office on 23 Mar 2022, it is expected that most vacuums, air fryers, and air purifiers that will be imported from China to the US will be exempted from the 25% import tariff this year, hence providing good support to JS Global’s gross margin in 2022.

JS Global Lifestyle

Financials

Revenue. After the acquisition; benefiting from segmental expansion, product enrichment, & innovation; and global business expansions, the group's total revenue increased rapidly from US\$1,103m in 2016 to US\$5,151m in 2021, with an overall CAGR of 36.1% during this period. As JS Global targets to increase its investment in R&D capabilities and omni-channel enhancement, coupled with its accelerating global business deployment, we forecast double-digit revenue growth in FY22/FY23.

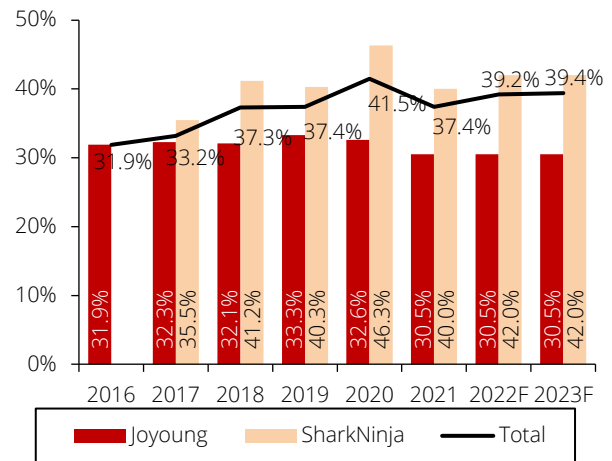
Revenue Growth



Source: DBS HK

Gross profit margin. The company's overall GP margin grew steadily after the acquisition, given the high-margin SharkNinja business, as well as the cost reduction brought about by supply chain synergies. SharkNinja's GP margin reached 46.3% in 2020, around 14ppt higher than Joyoung, and the overall GP margin scored around a 10ppt increase from that of 2016. While the rapid increase in raw material prices put pressure on the GP margin in 2021, it showed a 4ppt decrease to 37.4%. Although raw material prices were still at a high level in 1Q22, JS Global should continue to benefit from continuous product mix upgrades, new product launches, and supply chain integration, and may achieve a slight GP margin recovery, to 39.2%/39.4% for FY22/FY23.

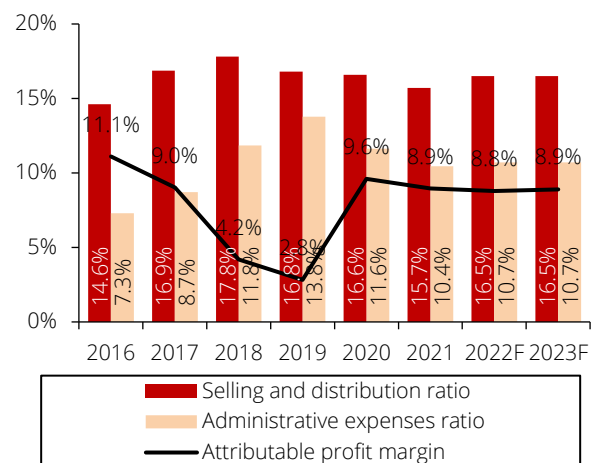
Gross Profit Margin



Source: DBS HK

Expense rate. With the high expense rate of SharkNinja and non-recurring expenses from the acquisition, the company's attributable profit margin experienced a clear decline. With the gradual completion of the integration, coupled with the GP margin improvement, as well as supply chain synergies and expense optimisation, the company's profitability recovered in 2020. The attributable margin is expected to remain stable in the next two years, as the company will increase its investments in brand building, enhancement of channels, and R&D capability.

Expense Ratio



Source: DBS HK

Environment, Social, & Governance (ESG)

Environment. SharkNinja has continued to innovate its sustainable packaging in recent years by using recyclable pulp shrouds and a soybean oil printing process with non-petroleum-based inks, resulting in a 95% recycling rate for packaging materials. Currently, 98% of the company's product packaging is made from this recyclable material. Joyoung has recycled more than 100,000 used household appliances through its "Old for New" programme; engages in waste classification and waste reduction and recycling and utilisation of waste cardboard, metal, and other resources; engages in a series of green office initiatives; has used clean energy by using photovoltaic power generation facilities; and helped in energy conservation and emission reduction.

Social. SharkNinja has formed a team of active volunteers to communicate closely with the surrounding communities, hospitals, and charities in its operating locations around the globe for which it donates high-quality products. Joyoung has been committed to public welfare for more than 10 years and has set up the "Joyoung Hope Fund" and donated more than RMB50m. Meanwhile, to improve the environment and hygiene conditions of rural school kitchens, Joyoung has built over 1,000 "Hope Kitchens" across China.

During the height of the COVID-19 pandemic, Joyoung provided immediate assistance to the affected areas. Emergency supplies such as Joyoung water purifiers, Shark sanitising steam mops, and medical protective hoods were donated in several batches to severely affected areas to ensure an adequate supply of first-line anti-epidemic materials.

Governance. The company holds regular board meetings and general meetings and has established four board committees, including the Strategy Committee, Audit Committee, Remuneration Committee, and Nomination Committee. Internally, the company has established related management systems and guidance, including the Reward and Punishment Management System, Anti-fraud Investigation Management System, etc., and enhanced the transparency and accountability of the board to all shareholders to ensure that the business and operations are conducted in accordance with applicable laws and regulations. Meanwhile, the company signed the Integrity Cooperation Agreement with its partners to strengthen the awareness of integrity in its business activities and regulate integrity in practice. To further eliminate unethical business practices such as bribery and corruption, the company encourages employees and other parties with whom the company has direct or indirect business relationships to report fraudulent and/or suspicious activity.

Management & Strategy

Key Management Team

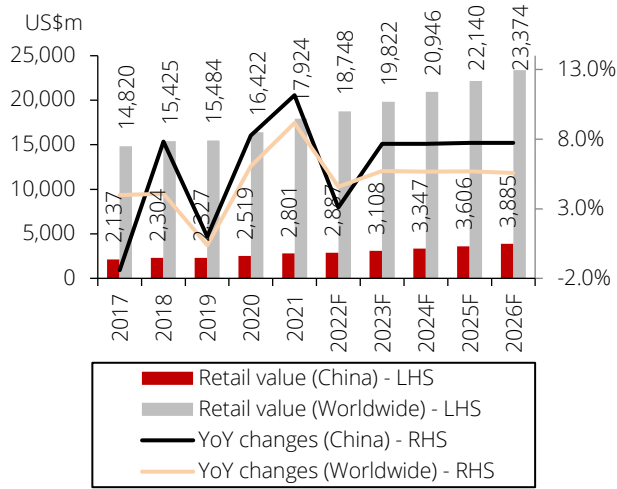
Name	Capacity	Experience
Mr. Wang Xuning	Executive Directors, Chairman, CEO	Bachelor in Beijing Jiaotong University, MBA in China Europe International Business School Founder of the Group, former General Manager and the President of Joyoung Current executive Director, Chairman and CEO of JS Global
Ms. Han Run	Executive Directors, CFO	EMBA from Guanghua School of Management of Peking University Former Board Secretary, Vice General Manager and Vice President of Joyoung Current executive Director and CFO of JS Global, member of the Remuneration Committee
Ms. Huang Shuling	Executive Directors	EMBA from Cheung Kong School of Business Co-founder of the Group, former Vice Chairwoman of Joyoung Current executive Director of JS Global
Mr. Hui Chi Kin Max	Non-executive Directors	Bachelor from the University of California, Berkeley, Master from Princeton University Over 20 years of experience in investment and fund management Former non-executive director of China Modern Dairy Holdings Ltd Current non-executive Director of JS Global, member of the Strategy Committee
Mr. Stassi Anastas Anastassov	Non-executive Directors	Bachelor from Uppsala University in Sweden Former Vice President and General Manager of Procter & Gamble Current non-executive Director of JS Global, member of the Strategy Committee
Mr. Mao Wei	Non-executive Directors	MBA from Tsinghua University Former managing director of CITIC Private Equity Funds Management, former director of Shaanxi Tourism Cultural Industry Holding Current non-executive Director of JS Global, member of the Strategy Committee
Dr. Wong Tin Yau Kelvin	Independent Non-Executive Directors	Justice of the Peace MBA from Andrews University, Doctorate from The Hong Kong Polytechnic University Current independent non-executive Director of JS Global, Chairman of the Audit Committee, member of the Strategy Committee and Nomination Committee
Mr. Timothy Roberts Warner	Independent Non-Executive Directors	Bachelor from Wesleyan University, MBA from Stanford University Extensive experience in corporate finance and management operations Current independent non-executive Director of JS Global, Chairman of the Remuneration Committee, member of the Strategy Committee and Audit Committee
Mr. Yang Xianxiang	Independent Non-Executive Directors	EMBA from China Europe International Business School Former CEO of SITC International Holdings Current independent non-executive Director of JS Global, member of the Strategy Committee, Audit Committee, Nomination Committee and Remuneration Committee
Mr. Mark Adam Barrocas	Global President	Bachelor from the University of Michigan Former President of the Wearguard Division of Aramark Uniform Services, Sale and Marketing President of Broder Bros Current Global President of JS Global
Ms. Yang Ningning	President of Joyoung	EMBA from the City University of Hong Kong Former Vice President and CFO of Joyoung Current President and a director of the board of Joyoung
Mr. David William Stevenson	Finance Director (Business and Operations)	Bachelor from Lehigh University in Pennsylvania Former CFO of SharkNinja Current Finance Director of JS Global

Source: Company

JS Global Lifestyle

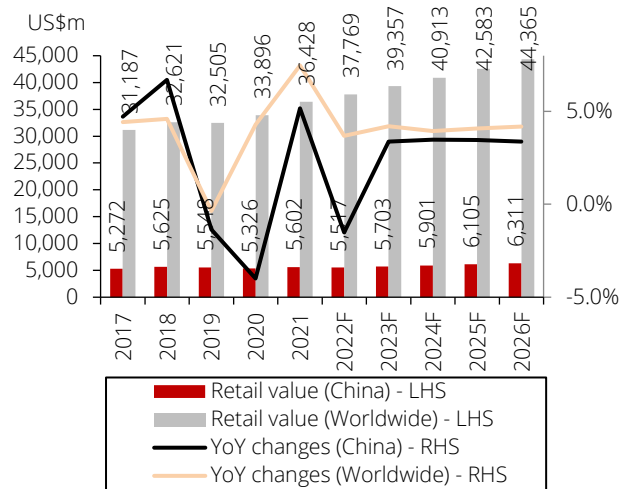
Appendix

China Market: Food Preparation Appliances



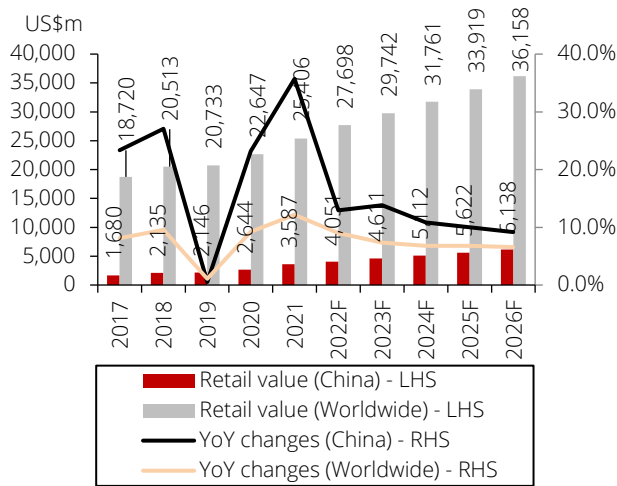
Source: Euromonitor

China Market: Small Cooking Appliances



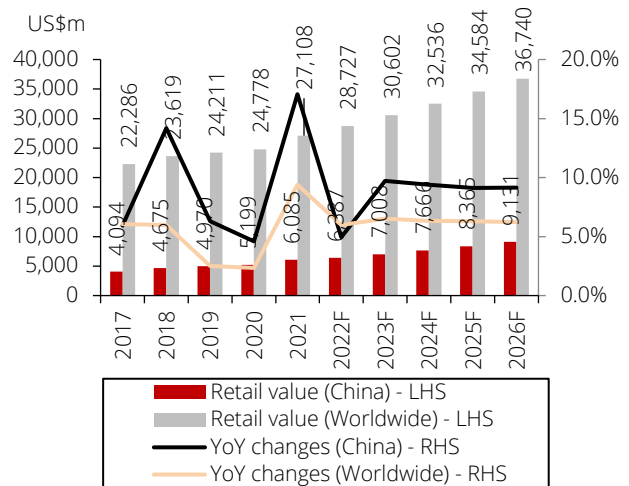
Source: Euromonitor

China Market: Vacuum Cleaners



Source: Euromonitor

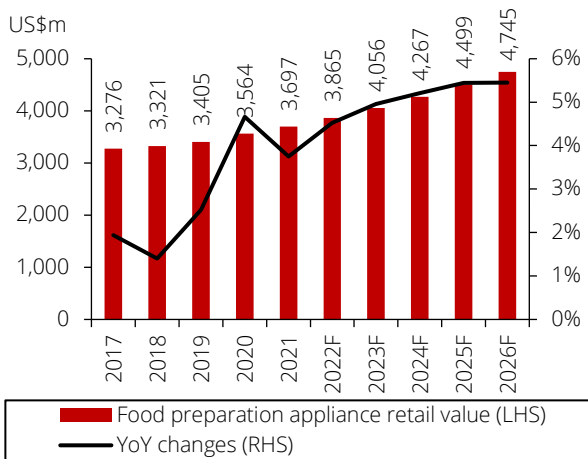
China Market: Personal Care Appliances



Source: Euromonitor

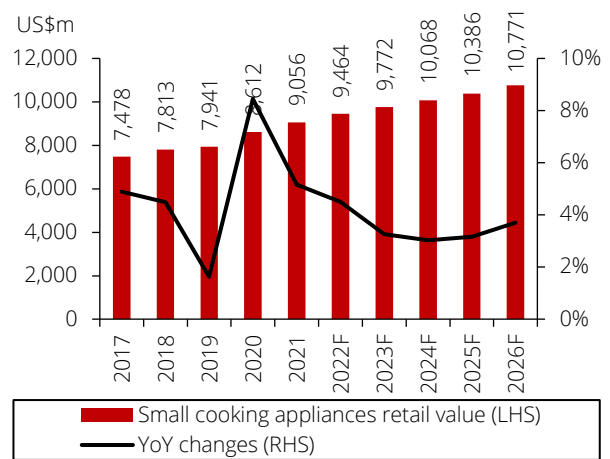
JS Global Lifestyle

North America Market: Food Preparation Appliances



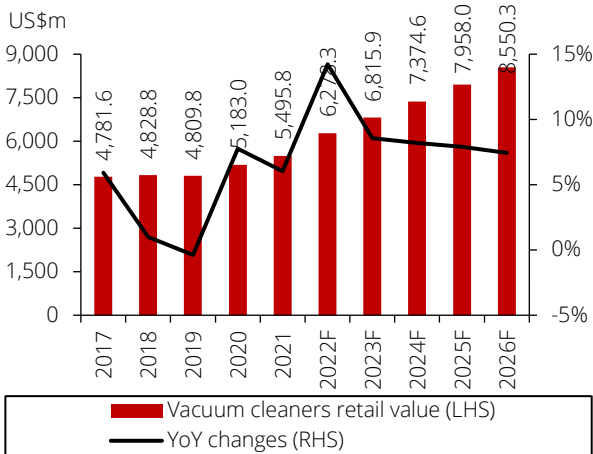
Source: Euromonitor

North America Market: Small Cooking Appliances



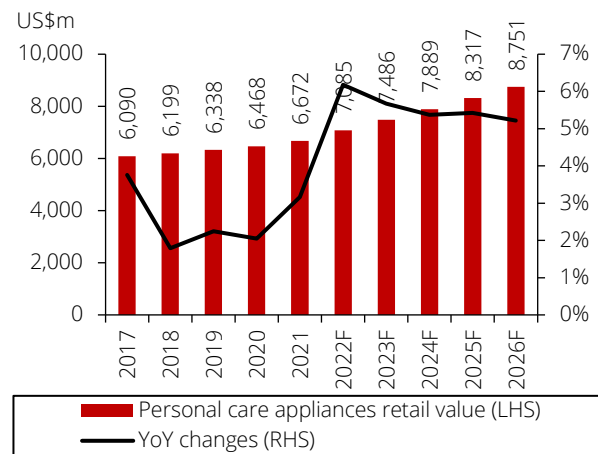
Source: Euromonitor

North America Market: Vacuum Cleaners



Source: Euromonitor

North America Market: Personal Care Appliances



Source: Euromonitor

JS Global Lifestyle

Key Assumptions

FY Dec	2019A	2020A	2021A	2022F	2023F
SharkNinja sales growth (%)	N/A	57.4	35.9	16.0	15.0
Joyoung sales growth (%)	N/A	14.3	(1.9)	0.0	3.0
SharkNinja gross margin (%)	N/A	46.3	40.0	41.5	42.0
Joyoung gross margin (%)	N/A	32.6	30.5	30.5	30.5

Source: Company, DBS HK

Segmental Breakdown (US\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenues (US\$ m)					
SharkNinja	1,736	2,733	3,715	4,309	4,956
Joyoung	1,280	1,463	1,436	1,436	1,479
Total	3,016	4,196	5,151	5,745	6,434
Gross Profit (US\$ m)					
SharkNinja	701	1,265	1,487	1,788	2,081
Joyoung	426	478	437	438	451
Total	1,127	1,743	1,924	2,226	2,532
Gross Profit Margins (%)					
SharkNinja	40.3	46.3	40.0	41.5	42.0
Joyoung	33.3	32.7	30.5	30.5	30.5
Total	37.3	41.5	37.4	38.8	39.4

Source: Company, DBS HK

Income Statement (US\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	3,016	4,196	5,151	5,745	6,434
Cost of Goods Sold	(1,890)	(2,453)	(3,226)	(3,519)	(3,902)
Gross Profit	1,127	1,743	1,924	2,226	2,532
Other Opng (Exp)/Inc	(922)	(1,183)	(1,346)	(1,563)	(1,750)
Operating Profit	204	560	578	664	782
Other Non Opg (Exp)/Inc	(10)	36	16	6	0
Associates & JV Inc	2	0	1	1	1
Net Interest (Exp)/Inc	(78)	(69)	(20)	(48)	(54)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	119	527	575	623	729
Tax	(34)	(124)	(114)	(137)	(160)
Net Profit	85	402	461	486	569
Net Profit before Except.	85	402	461	486	569
EBITDA	290	701	711	796	924
Growth					
Revenue Gth (%)	12.5	39.1	22.8	11.5	12.0
EBITDA Gth (%)	(6.0)	141.7	1.5	11.9	16.0
Opg Profit Gth (%)	0.1	174.3	3.2	14.8	17.9
Net Profit Gth (%)	(24.0)	372.3	14.5	5.5	17.1
Margins & Ratio					
Gross Margins (%)	37.4	41.5	37.4	38.8	39.4
Opg Profit Margin (%)	6.8	13.3	11.2	11.6	12.2
Net Profit Margin (%)	2.8	9.6	8.9	8.5	8.8
ROAE (%)	12.6	27.7	26.5	25.9	29.5
ROA (%)	2.4	9.5	9.7	9.8	10.9
ROCE (%)	5.5	14.5	14.6	15.6	17.8
Div Payout Ratio (%)	0.0	33.0	42.5	42.5	42.5
Net Interest Cover (x)	2.6	8.1	29.2	13.8	14.4

Source: Company, DBS HK

JS Global Lifestyle

Balance Sheet (US\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	207	208	206	208	203
Invts in Associates & JVs	36	27	27	27	27
Other LT Assets	1,757	1,705	1,797	1,896	2,007
Cash & ST Invts	421	571	555	561	421
Inventory	393	575	782	740	821
Debtors	804	1,204	1,246	1,436	1,662
Other Current Assets	157	364	196	208	222
Total Assets	3,775	4,654	4,809	5,077	5,364
ST Debt	26	47	85	94	113
Creditors	530	885	879	1,046	1,192
Other Current Liab	434	686	659	673	686
LT Debt	1,049	893	857	865	874
Other LT Liabilities	202	223	240	272	308
Shareholder's Equity	1,288	1,612	1,860	1,896	1,958
Minority Interests	246	309	229	231	233
Total Cap. & Liab.	3,775	4,654	4,809	5,077	5,364
Non-Cash Wkg. Capital	390	572	686	666	827
Net Cash/(Debt)	(654)	(369)	(387)	(398)	(566)
Debtors Turn (avg days)	95.4	87.3	86.8	85.2	87.9
Creditors Turn (avg days)	N/A	N/A	N/A	N/A	N/A
Inventory Turn (avg days)	N/A	72.1	76.8	79.0	73.0
Asset Turnover (x)	0.9	1.0	1.1	1.2	1.2
Current Ratio (x)	1.8	1.7	1.7	1.6	1.6
Quick Ratio (x)	1.2	1.1	1.1	1.1	1.0
Net Debt/Equity (X)	0.4	0.2	0.2	0.2	0.3
Net Debt/Equity ex MI (X)	0.5	0.2	0.2	0.2	0.3
Capex to Debt (%)	6.9	6.7	6.8	7.4	7.9
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

Cash Flow Statement (US\$ m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	119	527	575	623	729
Dep. & Amort.	95	121	136	146	163
Tax Paid	(41)	(102)	(133)	(137)	(160)
Assoc. & JV Inc/(loss)	0	0	0	0	0
(Pft)/Loss on disposal of FAs	(8)	(46)	(11)	(14)	(16)
Chg in Wkg. Cap.	62	52	(253)	(324)	(567)
Other Operating CF	153	101	16	91	71
Net Operating CF	380	653	330	385	220
Capital Exp. (net)	(74)	(63)	(64)	(71)	(78)
Other Invts. (net)	(1)	(160)	134	136	137
Invts in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	2	0	0	0	0
Other Investing CF	(45)	12	(211)	(100)	(100)
Net Investing CF	(118)	(211)	(141)	(35)	(41)
Div Paid	(95)	(265)	(155)	(206)	(242)
Chg in Gross Debt	(90)	(235)	(1)	(66)	(51)
Capital Issues	375	138	0	0	0
Other Financing CF	(208)	45	(45)	(69)	(23)
Net Financing CF	(18)	(317)	(202)	(342)	(316)
Currency Adjustments	(4)	25	(2)	(2)	(2)
Chg in Cash	240	149	(15)	5	(140)
Opg CFPS (US\$)	0.07	0.16	0.16	0.19	0.21
Free CFPS (US\$)	0.07	0.15	0.07	0.08	0.04

Source: Company, DBS HK

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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