

Outperform

(maintained)

Household Appliances

Joyoung

(002242.SZ)

Strengthen Main Business and Expand New Channels

---2019 Annual Financial Report of Joyoung

3-Apr-20

Key Data

Mar. 31, 2020

Closing Price	28.15
Total Shares (Mn)	767.31
Shares Outstanding (Mn)	763.08
Market Cap(CNY/Mn)	21599.83
Market Float(CNY/Mn)	21480.59
Net Assets (CNY/Mn)	3750.99
Total Assets (CNY/Mn)	7467.80
BVPS	4.89

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Key Financial Indicators

FY	2019A	2020E	2021E	2022E
Revenue (Mn/CNY)	9351	9988	12069	13535
YoY (%)	14%	7%	21%	12%
Net Profit (Mn/CNY)	824	893	1177	1339
YoY (%)	9%	8%	32%	14%
Gross Margin (%)	32.5%	32.7%	33.1%	33.3%
Net Profit Margin (%)	8.8%	8.9%	9.7%	9.9%
ROE (%)	22.0%	19.3%	22.7%	22.6%
EPS (CNY)	1.07	1.16	1.53	1.75
OCFPS (CNY)	1.63	0.86	1.32	1.53

Company Profile

Joyoung Co.,Ltd is a China-based company, principally engaged in the research and development, manufacture and distribution of small kitchen appliances. The Company's products include soymilk makers, induction cookers, blenders, juicers, electric pressure cookers, electrical kettles, rice cookers, water purifiers, soybean materials and commercial soymilk makers, among others. The Company distributes its products within domestic market and to overseas markets. (Source: Reuters)

Event

Joyoung (the company) announced its 2019 annual financial report, stating that during the reporting period, it made revenue of CNY 9.35 billion (bln), up 14.48% year-on-year (YoY), net profit attributable to shareholders of CNY 824 million (mln), an increase of 9.26 YoY, and net profit after deducting non-recurring items of CNY 754mln, rising 32.48% from a year prior; its EPS was CNY 1.07, an 8.08% YoY growth.

The company plans to distribute cash dividend of CNY 5.8 for every 10 shares, which totals CNY 445mln, with dividend rate of 54%; with the dividends of semi-annual financial report, the full-year dividend rate was 100%.

Comments

The conventional main business maintained leading positions in the industry.

In the corresponding period, revenue from food processing machine contributed 44% to the total, a growth of 20% from the previous year; cookers for soup took up 33% of the revenue with a 13% YoY increase; electric appliances accounted for 12%, rising 7% YoY. The conventional main business maintained the top3 positions in the industry.

The company has basically completed the launch of new businesses and its parent company, JS Global Life, went public on Hongkong market.

China-oriented product, Shark, made revenue of CNY 107mln in 2019, an obvious increase from CNY 20.30mln in 2018; the Shenzhen-based company also conducted agent processing for the export of



SharkNinja which helped the company make CNY 389mln income.

The company made improvements in its profitability.

Its gross margin was 32.52%, up 0.39pcts from 2018, and its net profit rate registered 8.62%, down 0.46pcts year-on-year.

Its sales expense rate stood at 15.79%, a drop of 1.06pcts compared to the same period last year; its administrative/R&D/financial expense rate maintained a stable level compared with the previous year.

The year-on-year net profit rate decline was mainly attributed to proceeds from asset disposal which only accounted for 1.3%.

The stock incentive scheme was adjusted and new goals for 2020 were put forward which is to realize by grades.

According to new goals, the revenue growth has to be at least 11% and net profit growth to be 9% in a bid to achieve non-tradable shares; the faster the growth, the higher the grades to achieve.

As the above growth was higher than our forecasts for 2020, we hold that adjustments of the stock incentive scheme are an incentive strategy for the management to “jump a bit” to realize better revenue and earnings growth.

Earnings forecast and investment recommendation

We estimate its EPS to be CNY 1.16/CNY 1.53/CNY 1.75, implying a P/E ratio to be 24x/18x/16x for 2020/2021/2022, based on the price of CNY 28/share. Maintain “Outperform”.

Potential risks

unfavorable changes in competition landscape; new incomers in the competition; pressure from leaders of white home appliances on small home appliances

This English translation of the original Chinese version <夯实主业，拓展新航道——九阳股份 2019 年报点评> issued by Industrial Securities on April 01, 2020 is for information purpose only. In case of a discrepancy, the Chinese original will prevail.

Appendix

Balance Sheet		Mn/CNY			
FY	2019A	2020E	2021E	2022E	
Current Assets	5522	6093	7376	8494	
Cash and Cash Equivalent	1603	2351	2885	3588	
Trading Financial Assets	178	178	178	178	
Account Receivables	231	118	142	160	
Other Receivables	24	27	33	32	
Inventory	1089	627	757	851	
Non-current Asset	1946	1463	1443	1449	
Available-for-sale Financial Assets	0	0	0	0	
Long-term Equity Investment	255	260	260	260	
Investment Real Estate	163	163	163	163	
Fixed Assets	681	626	565	500	
Construction in Progress	26	13	6	3	
Oil and Gas Assets	0	0	0	0	
Intangible Assets	123	115	108	101	
Total Assets	7468	7556	8818	9942	
Current Liabilities	3700	2918	3582	3897	
Short-term Loans	0	0	0	0	
Notes Payable	908	544	698	764	
Account Payable	1873	1272	1558	1731	
Others	919	1093	1317	1393	
Non-current Liabilities	17	9	9	9	
Long-term Loans	0	0	0	0	
Others	17	9	9	9	
Total Liabilities	3717	2927	3591	3906	
Share Capital	767	767	767	767	
Capital Reserve	888	888	888	888	
Undistributed Profit	2018	2561	3124	3850	
Minority Interest	-2	6	37	116	
Total Shareholders' Equity	3751	4629	5228	6037	
Total Liabilities and Equity	7468	7556	8818	9942	

Cash Flow Statement		Mn/CNY			
FY	2019A	2020E	2021E	2022E	
Net Profit	806	901	1208	1418	
Depreciation and Amortization	90	76	77	78	
Property Depreciation Preparation	28	15	18	20	
Amortization of Intangible Assets	7	7	7	7	
Loss from Fair Value Change	-13	0	0	0	
Financial Expense	-25	-43	-52	-65	
Investment Loss	-60	-66	-66	-66	
Minority Interest Income	-18	8	31	79	
Change in Working Capitals	410	-588	-83	-100	
Cash Flows from Operating Activities	1253	659	1016	1171	
Cash Flows from Investment Activities	-365	60	75	77	
Cash Flows from Financing Activities	-637	28	-557	-544	
Net Change in Cash	513	747	534	704	
Beginning Balance of Cash	1091	1603	2351	2885	
Ending Balance of Cash	1603	2351	2885	3588	

Income Statement		Mn/CNY			
FY	2019A	2020E	2021E	2022E	
Operating Income	9351	9988	12069	13535	
Operating Expense	6310	6721	8077	9029	
Business Tax and Surcharges	47	60	72	81	
Selling Expense	1477	1528	1786	1963	
Administration Expense	389	390	434	487	
Financial Expense	-25	-43	-52	-65	
Asset Impairment	0	1	1	1	
Change in Fair Value	13	0	0	0	
Investment Income	60	66	66	66	
Operating Profit	943	1060	1418	1662	
Non-business Income	6	10	10	10	
Non-business Expense	9	11	9	6	
Total Profit	940	1059	1419	1666	
Income Tax	134	157	211	247	
Net Profit	806	901	1208	1418	
Minority Interest Income	-18	8	31	79	
Net Profit Attributable to Parent Company	824	893	1177	1339	
EPS(CNY)	1.07	1.16	1.53	1.75	

Key Financial Ratios				
FY	2019A	2020E	2021E	2022E
Growth				
Increase Rate of Business Revenue	14.5%	6.8%	20.8%	12.2%
Increase Rate of Business Profit	7.3%	12.4%	33.8%	17.2%
Net Profit Growth Rate	9.3%	8.4%	31.7%	13.8%
Profitability				
Gross Margin Rate	32.5%	32.7%	33.1%	33.3%
Net Profit Margin	8.8%	8.9%	9.7%	9.9%
ROE	22.0%	19.3%	22.7%	22.6%
Solvency				
Asset-liability Ratio	49.8%	38.7%	40.7%	39.3%
Current Ratio	1.49	2.09	2.06	2.18
Quick Ratio	1.20	1.87	1.85	1.96
Operation Capacity				
Asset Turnover Ratio	1	1	1	1
AR Turnover Ratio	45	57	93	90
Stock Info(CNY)				
EPS	1.07	1.16	1.53	1.75
OCFPS	1.63	0.86	1.32	1.53
NAVPS	4.89	6.03	6.76	7.72
Valuation Ratio				
PE	26.21	24.18	18.36	16.13
PB	5.76	4.67	4.16	3.65

Introduction of Share Investment Rating

Industry Investment Rating

When measuring the difference between the markup of the industry index and that of the market's benchmarks (Shanghai Composite Index/Shenzhen Component Index) within twelve months after the release of the report, we define the terms as follows:

- **Overweight:** Industry performs better than that of the whole market;
- **Neutral:** Industry performs about the same as that of the whole market;
- **Underweight:** Industry performs worse than that of the whole market

Company Investment Rating

When measuring the difference between the markup of the company stock price and that of the market's benchmarks (Shanghai Composite Index/Shenzhen Component Index) within twelve months after the release of this report, we define the terms as follows:

- **Buy:** With a markup more than 15% better than that of the market;
- **Outperform:** With a markup 5% to 15% better than that of the market;
- **Neutral:** With a markup less than 5% better or worse than that of the market;
- **Underperform:** With a markup more than 5% worse than that of the market.

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