

Beshom Holdings Berhad

Remain Cautiously Optimistic on Its Outlook

TP: RM0.80 (-3.6%)

Last Traded: RM0.88

Sell (ESG: ★★★)

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Review

- Beshom Holdings Bhd's (BESHOM) 9MFY24 core earnings of RM7.7mn came in at 64.0% of ours and consensus' full-year forecasts. We deemed the results within expectations as we are expecting a stronger 4QFY24 performance.
- 9MFY24 EBIT and revenue declined by 43.1% YoY and 14.8% YoY to RM10.7mn and RM115.2mn, respectively. The weaker performance was dragged by all segments.
- **MLM.** MLM's EBIT for 9MFY24 plunged 80.1% YoY to RM1.1mn, in tandem with a decline in revenue of 29.4% YoY to RM39.1mn. The weaker result was mainly due to poor market sentiment in domestic economy, which resulted in cautious spending, especially on non-essential goods. This is exacerbated by stiff competition from other MLM market players.
- **Wholesale.** The segmental revenue improved by 2.6% YoY to RM46.3mn driven by the higher demand for premium patented medicine and improved sales of goods to duty-free shop. However, the 9MFY24 EBIT decreased to RM7.5mn (-19.8% YoY), primarily due to the high base effect in previous corresponding year.
- **Retail.** For 9MFY24, the retail segment posted revenue of RM25.7mn (-17.5% YoY) mainly due to subdued demand for health-supplements products following the normalcy of Covid-19. 9MFY24's EBIT tumbled 84.7% YoY to RM0.4mn caused by an increase in staff cost coupled with lower revenue.

Impact

- No change to our earnings forecasts.

Outlook

- **MLM.** Management remains cautious on the market outlook (increase in SST to 8% and weakening of RM against the major currencies), which would dampen the spending power. However, we expect the improved marketing initiatives would increase its members' performance and retention rate.
- **Wholesale.** Beshom plans to promote its key products by offering overseas trips as incentives to its customers. Additionally, we believe that robust tourist arrivals will boost its sales of goods to duty free shop in the upcoming quarter.
- **Retail.** We anticipate the retail division will mark an improvement on its top line for 4QFY24 with the roll out of a year-end loyalty members' sales campaign specifically targeting loyalty members.

Share Information

Bloomberg Code	BESHOM MK
Stock Code	7668
Listing	Main Market
Share Cap (mn)	300.0
Market Cap (RMmn)	264.0
52-wk Hi/Lo (RM)	1.2/0.86
12-mth Avg Daily Vol ('000 shrs)	68.9
Estimated Free Float (%)	55.4
Beta	0.3
Major Shareholders (%)	
Tan Kai Hee Family Holdings Sdn bhd	10.9%
Akintan Sdn Bhd	8.8%
Excellent Communication Sdn Bhd	5.4%

Forecast Revision

	FY24	FY25
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	12.0	18.0
Consensus	12.0	18.0
TA's / Consensus (%)	100.3	99.9
Previous Rating	Sell (Maintained)	
Consensus Target Price (RM)	0.80	

Financial Indicators

	FY24	FY25
Net Debt / Equity (x)	Net Cash	Net Cash
ROE (%)	3.9	5.8
ROA (%)	3.4	5.1
NTA/Share (RM)	1.1	1.1
Price/NTA (x)	0.8	0.8

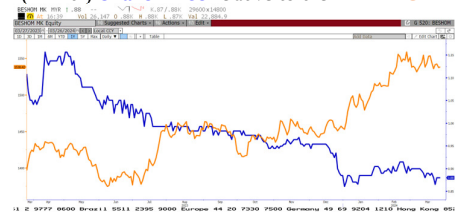
Scorecard

	% of FY	
vs TA	64	Below
vs Consensus	64	Below

Share Performance (%)

Price Change	BESHOM	FBM KLCI
1 mth	(3.8)	(0.6)
3 mth	(3.8)	6.0
6 mth	(13.7)	6.4
12 mth	(24.8)	9.9

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Valuation

- We maintain **SELL** on Beshom with an unchanged TP of **RM0.80/share**, based on 15x CY24 EPS.

Table 1: Earnings Summary

FYE Apr (RM'mn)	2022	2023	2024F	2025F	2026F
Revenue	209.6	174.2	153.9	171.5	191.9
EBITDA	46.2	29.5	21.5	28.8	31.6
EBIT	40.0	24.0	15.6	22.9	25.8
PBT	40.3	24.3	15.9	23.7	26.5
Net profit	28.2	16.3	12.0	18.0	20.1
Core net profit	28.4	18.0	12.0	18.0	20.1
Core EPS (sen)	9.4	6.0	4.0	6.0	6.7
Core PER (x)	9.3	14.6	21.9	14.7	13.1
DPS (sen)	8.0	5.0	4.5	5.0	5.0
Div. yield (%)	9.1	5.7	5.1	5.7	5.7

Table 2: 3QFY24 Results Analysis

FYE 30 Apr (RM'mn)	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue	42.9	37.9	42.2	11.3	(1.7)	135.2	115.2	(14.8)
-MLM	13.3	13.3	13.3	(0.3)	0.2	55.3	39.1	(29.4)
-Wholesale	15.4	14.7	17.3	17.4	12.8	45.1	46.3	2.6
-Retail	12.9	8.5	10.2	20.1	(21.0)	31.1	25.7	(17.5)
-Others	1.3	1.3	1.3	3.1	0.0	3.6	4.2	15.1
Cost of sales	(25.0)	(23.0)	(25.3)	(9.8)	(0.8)	(79.3)	(68.5)	13.7
Gross profit	17.8	14.9	16.9	13.7	(5.2)	55.9	46.8	(16.3)
EBIT	4.0	3.2	4.2	28.7	3.5	18.8	10.7	(43.1)
-MLM	0.2	(0.0)	0.7	>100	>100	5.3	1.1	(80.1)
-Wholesale	1.9	2.8	2.7	(2.3)	43.7	9.4	7.5	(19.8)
-Retail	1.5	0.2	0.6	>100	(60.9)	2.8	0.4	(84.7)
-Others	0.4	0.8	0.9	11.5	97.4	1.3	2.9	>100
Adj. EBIT	3.9	3.0	4.2	37.0	6.1	17.1	10.6	(37.7)
Net interest	0.1	0.1	0.1	15.8	14.8	0.3	0.3	(0.3)
Extraordinary Items	(0.1)	(0.2)	-	>100	>100	(1.7)	(0.1)	95.5
PBT	4.1	3.3	4.3	30.5	6.2	19.1	11.1	(42.0)
Adj. PBT	4.0	3.1	4.3	38.6	8.8	17.3	11.0	(36.6)
Taxation	(1.2)	(1.0)	(1.3)	(34.2)	(10.1)	(5.1)	(3.2)	37.2
Minority Interest	(0.3)	(0.0)	(0.0)	12.2	86.6	(0.5)	(0.1)	79.3
Net Profit	2.6	2.3	3.0	29.8	15.8	13.5	7.8	(42.3)
Adj. Net Profit	2.5	2.1	3.0	41.8	20.4	11.8	7.7	(34.4)
Basic EPS (sen)	0.9	0.8	1.0	29.8	15.8	4.5	2.6	(42.3)
DPS (sen)	-	-	-	nm	nm	3.0	1.5	(50.0)
				%-points	%-points			%-points
EBIT Margin (%)	9.4	8.5	9.9	1.3	0.5	13.9	9.3	(4.6)
PBT Margin (%)	9.5	8.8	10.3	1.5	0.8	14.1	9.6	(4.5)
Net Margin (%)	6.1	6.1	7.2	1.0	1.1	10.0	6.8	(3.2)
Adj. Net Margin (%)	5.8	5.6	7.2	1.5	1.3	8.7	6.7	(2.0)
Tax Rate (%)	28.5	28.7	29.6	0.8	1.1	26.4	28.6	2.2

Table 3: 3QFY24 Segmental Analysis

FYE 30 Apr	3QFY23	2QFY24	3QFY24	QoQ	YoY	9MFY23	9MFY24	YoY
Revenue	42.9	37.9	42.2	11.3%	-1.7%	135.2	115.2	-14.8%
Multi-Level Marketing	13.3	13.3	13.3	-0.3%	0.2%	55.3	39.1	-29.4%
Wholesale	15.4	14.7	17.3	17.4%	12.8%	45.1	46.3	2.6%
Retail	12.9	8.5	10.2	20.1%	-21.0%	31.1	25.7	-17.5%
Others	1.3	1.3	1.3	3.1%	0.0%	3.6	4.2	15.1%
Segment EBIT	4.0	3.7	4.9	31.5%	21.7%	18.8	11.9	-36.6%
Multi-Level Marketing	0.2	(0.0)	0.7	>100%	>100%	5.3	1.1	-80.1%
Wholesale	1.9	2.8	2.7	-2.3%	43.7%	9.4	7.5	-19.8%
Retail	1.5	0.2	0.6	>100%	-60.9%	2.8	0.4	-84.7%
Others	0.4	0.8	0.9	11.5%	97.4%	1.3	2.9	>100%
				%-points	%-points			%-points
Segment EBIT Margin	9.4	9.8	11.6	1.8	2.2	13.9	10.4	(3.6)
Multi-Level Marketing	1.6	(0.3)	5.6	5.9	4.0	9.6	2.7	(6.9)
Wholesale	12.3	18.8	15.6	(3.2)	3.4	20.8	16.3	(4.5)
Retail	11.5	2.6	5.7	3.1	(5.8)	9.1	1.7	(7.4)

Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★	★★★	★★★	★★★
Remark	It has established Code of Business Ethics for Suppliers and Business Associate to ensure sustainable supply. Meanwhile, Beshom is exploring way to adopt more environmentally friendly packaging. However, score remains muted owing to absence of quantifiable goal for near future.	Committed in promoting healthcare culture and improving human's well-being. The group also provide extensive leadership workshop to develop entrepreneurial spirit within distributors and community.	The board is well represented by independent directors yet may consider having more gender diversity in the board. Beshom has target of paying more than 50% of earnings as dividend.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.
★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.
★ (<20%) : Minimal or no integration of ESG factors in operations and management.

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As of Wednesday, March 27, 2024, the analyst, Liew Yi Jiet, who prepared this report, has interest in the following securities covered in this report:
(a) nil

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