

Beshom Holdings Berhad

TP: RM0.96 (-10.3%)
Challenging Outlook Remains

Last Traded: RM1.07

Sell (ESG: ★★★)

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Review

- Beshom Holdings Bhd (Beshom)** registered a full-year core net profit of RM14.6mn in FY23, came in at 85% and 89% of our forecast and consensus' expectations, respectively. The variance was mainly attributed to higher-than-expected tax expense. The effective tax rate in 4QFY23 was 49.2% (4QFY22: 34.7%), much higher than statutory tax rate mainly due to expenses, which were non-deductible for tax purposes.
- The board proposed a single tier interim dividend of 2.0sen/share for 4QFY23 (4QFY22: 5.0sen/share), bringing the YTD DPS to 5.0sen/share (FY22: 8.0sen/share).
- YoY**, Beshom's FY23 group revenue declined by 16.9%, reflective of poor performance in MLM division owing to weak consumer confident. In tandem with the group's topline decrease, FY23 core earnings fell by 49.1% YoY.
- MLM**. The segmental quarterly revenue saw an improvement of 15.8% QoQ, thanks to higher sales of affordable goods driven by Hari Raya promotion and overseas incentive trip campaign. As a result, segmental EBIT improved more than 10 times QoQ to RM2.7mn compared with RM0.2mn in 3QFY23.
- Wholesale**. Due to high base effect in the preceding quarter on the back of higher seasonal CNY sales, the division's revenue and EBIT declined by 5.4% QoQ and 30.0% QoQ to RM14.5mn and RM1.3mn respectively in the current quarter.
- Retail**. The division's quarterly revenue plunged 38.7% QoQ to RM7.9mn, owing to the reduced spending post-CNY and heightened inflationary pressure. Driven by revenue decline and elevated operating expenses (electricity tariff hike and Employment Act), the segmental EBIT tumbled 95.7% QoQ to RM0.1mn in 4QFY23 compared with RM1.5mn in 3QFY23. Note that the segmental EBIT margin plunged 10.7%-pts QoQ to 0.8% in 4QFY23.

Impact

- We cut our earnings forecasts for FY24/FY25 by 15.0%/19.6% respectively to reflect our view on the group's challenging outlook. Meanwhile, we also introduce our FY26 forecast.

Outlook

- MLM**. Despite registering improved performance compared with the immediate preceding quarter, we believe the segment continues to face challenges from elevated inflationary pressure and dampened consumer sentiment. We expect the division's sales to be flat or lower QoQ in the coming quarter due to the absence of Hari Raya promotion.

Share Information

Bloomberg Code	BESHOM MK
Stock Code	7668
Listing	Main Market
Share Cap (mn)	300.1
Market Cap (RMmn)	321.1
52-wk Hi/Lo (RM)	1.53/1.05
12-mth Avg Daily Vol ('000 shrs)	51.9
Estimated Free Float (%)	56.2
Beta	0.4

Major Shareholders (%)

Tan Kai Hee Family Holdings Sdn bhd	- 10.9%
Akintan Sdn Bhd	- 8.7%
Excellent Communication Sdn Bhd	- 5.4%

Forecast Revision

	FY24	FY25
Forecast Revision (%)	(15.0)	(19.6)
Net profit (RMm)	21.8	26.2
Consensus	22.9	28.0
TA's / Consensus (%)	95.2	93.6
Previous Rating	Sell (Maintained)	
Consensus Target Price (RM)	1.11	

Financial Indicators

	FY24	FY25
Net Debt / Equity (x)	Net Cash	Net Cash
ROE (%)	6.8	8.1
ROA (%)	5.8	7.0
NTA/Share (RM)	1.1	1.1
Price/NTA (x)	1.0	1.0

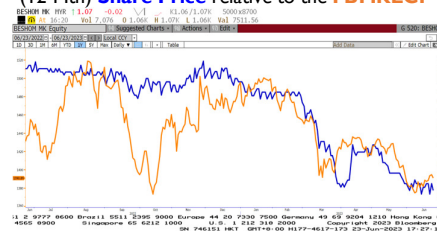
Scorecard

	% of FY	
vs TA	85	Below
vs Consensus	89	Below

Share Performance (%)

Price Change	BESHOM	FBM KLCI
1 mth	(4.5)	(1.5)
3 mth	(8.5)	(1.4)
6 mth	(23.6)	(5.7)
12 mth	(28.7)	(2.8)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

- **Wholesale.** We anticipate the division will record QoQ sales growth in the coming quarter as it undertakes rebranding exercise and roll out new products.
- **Retail.** Sales for the segment normalised as expected post-CNY festive season. We expect segmental sales to be flat QoQ and margin compression to be persistent from higher operating expenses (staff cost and electricity).

Valuation

- Maintain **Sell** with a lower target price of **RM0.96/share** (previously RM1.11/share) based on 11x CY24 EPS.

Table 1: Earnings Summary

FYE Apr (RM mn)	2022	2023	2024F	2025F	2026F
Revenue	209.6	174.2	201.3	226.8	246.8
EBITDA	46.1	29.4	34.6	40.3	42.9
EBIT	40.0	23.8	28.8	34.6	37.2
PBT	40.3	24.1	29.4	35.3	37.9
Net profit	28.9	16.2	21.9	26.3	28.2
Core net profit	28.2	14.6	21.8	26.2	28.1
Core EPS (sen)	9.4	5.4	7.3	8.7	9.4
Core PER (x)	11.3	19.9	14.7	12.3	11.4
DPS (sen)	8.0	3.0	8.0	9.0	11.0
Div. yield (%)	7.5%	2.8%	7.5%	8.4%	10.3%

Table 2: 4QFY23 Results Analysis

FYE 30 Apr	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Revenue	45.3	42.9	38.9	-9.2%	-14.0%	209.6	174.2	-16.9%
Cost of sales	(25.6)	(25.0)	(21.7)	13.4%	15.1%	(123.2)	(101.0)	18.0%
Gross profit	19.7	17.8	17.2	-3.3%	-12.6%	86.4	73.2	-15.3%
EBIT	9.4	4.0	5.0	24.7%	-46.6%	40.0	23.8	-40.5%
Adj. EBIT	9.4	3.9	5.0	27.8%	-46.6%	40.0	22.3	-44.4%
Net interest	0.1	0.1	0.1	-51.3%	-31.7%	0.4	0.4	4.6%
Extraordinary Items	-	(0.1)	-	100.0%	N.A.	(0.2)	1.6	N.M.
PBT	9.4	4.1	5.0	22.4%	-46.8%	40.3	24.1	-40.2%
Adj. PBT	9.4	4.0	5.0	25.4%	-46.8%	40.1	22.5	-43.9%
Taxation	(3.3)	(1.2)	(2.5)	-111.1%	24.6%	(11.4)	(7.5)	34.0%
Minority Interest	(0.1)	(0.3)	0.1	136.3%	217.2%	(0.7)	(0.4)	42.3%
Net Profit	6.0	2.6	2.7	2.2%	-55.9%	28.2	16.2	-42.7%
Adj. Net Profit	6.0	2.5	2.7	6.1%	-55.9%	28.0	14.6	-47.9%
Basic EPS (sen)	2.0	0.9	0.9	2.2%	-56.3%	9.6	5.4	-43.9%
DPS (sen)	5.0	-	2.0	N.A.	-60.0%	8.0	5.0	-37.5%
				%-points	%-points			%-points
EBIT Margin (%)	20.7	9.4	12.8	3.5	(7.9)	19.1	13.7	(5.4)
PBT Margin (%)	20.8	9.5	12.8	3.3	(7.9)	19.2	13.8	(5.4)
Net Margin (%)	13.3	6.1	6.8	0.8	(6.5)	13.5	9.3	(4.2)
Adj. Net Margin (%)	13.3	5.8	6.8	1.0	(6.5)	13.4	8.4	(5.0)
Tax Rate (%)	34.7	28.5	49.2	20.7	14.4	28.2	31.2	2.9

Table 3: 4QFY23 Segmental Analysis

FYE 30 Apr	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Revenue	45.3	42.9	38.9	-9.2%	-14.0%	209.6	174.2	-16.9%
Multi-Level Marketing	21.8	13.3	15.4	15.8%	-29.5%	115.4	70.7	-38.7%
Wholesale	13.7	15.4	14.5	-5.4%	5.8%	53.1	59.6	12.2%
Retail	8.7	12.9	7.9	-38.7%	-9.2%	37.0	39.0	5.6%
Others	1.0	1.3	1.1	-14.8%	10.4%	4.1	4.8	17.8%
Segment EBIT	9.4	4.0	5.0	24.7%	-46.6%	39.9	23.8	-40.2%
Multi-Level Marketing	3.5	0.2	2.7	N.M.	-22.1%	21.0	8.0	-61.7%
Wholesale	4.7	1.9	1.3	-30.0%	-72.2%	12.1	10.7	-11.5%
Retail	0.4	1.5	0.1	-95.7%	-85.1%	3.5	2.9	-17.6%
Others	0.7	0.4	0.9	105.3%	28.6%	3.2	2.2	-32.8%
				%-points	%-points			%-points
Segment EBIT Margin	20.7	9.4	12.8	3.5	(7.9)	19.0	13.7	(5.3)
Multi-Level Marketing	16.1	1.6	17.8	16.1	1.7	18.2	11.4	(6.8)
Wholesale	34.6	12.3	9.1	(3.2)	(25.5)	22.8	18.0	(4.8)
Retail	4.9	11.5	0.8	(10.7)	(4.1)	9.5	7.4	(2.1)

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 Monday, June 26, 2023, the analyst, Ong Tze Hern, who prepared this report, has interest in the following securities covered in this report:
(a) nil

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