

Beshom Holdings Bhd

TP: RM1.85 (+30.7%)
Inflationary Pressure Impacting MLM Division

Last Traded: RM1.61

BUY (ESG: ★★★)

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Review

- Beshom Holdings Bhd (Beshom) registered poorer than expected FY22 results. Core net profit was RM28.6mn, accounting for 90% of ours and 92% of consensus' full-year estimates. This negative variance was due to lower-than-expected contribution from MLM division and Wholesale division.
- The group proposed a final single tier dividend of 5.0sen/share for 4QFY22, same as the corresponding period last year. This will bring the cumulative DPS to 8.0sen/share, which is lower compared to 9.0sen/share declared in FY21.
- FY22's revenue slid 22.8% YoY to RM209.6mn mainly due poorer performance of the MLM division (decreased 33.1% YoY) and Wholesale division (decreased 9.3% YoY) despite improvement in the Retail division (increased 3.2% YoY).
- The MLM division's revenue was adversely affected by inflationary pressure, which reduced members' purchasing power while new members' recruitment and renewal were slow. The wholesale division was impacted by various COVID-19 restrictions imposed during the IHFY21. Improvement in the Retail division was attributed to the aggressive promotion via e-commerce platform and effective sales incentive schemes.
- Adjusted PBT of FY22 slipped 23.3% YoY to RM40.1mn in line with the decline in revenue.

Impact

- We make no change to our earnings forecast.

Outlook

- MLM.** Despite the inflationary headwind, we believe that the distributor force will rebound sharply to 90,000 members in FY23 and average revenue per distributor to improve with the reopening of economy. In addition to new members' recruitment and retention program, Beshom plans to launch promotion campaigns and organize more physical events to improve drive among its distributors.
- Wholesale.** With the likelihood of additional movement restrictions slim, the division will continue its recovery momentum in the coming quarters. The group intends to roll out more products in the Wholesale division to diversify its product portfolio and tap new market segments.
- Retail.** The division is developing new house brands to increase its product mix and improve margin. Profit margin for this segment will likely improve with ongoing rationalisation exercise to optimize its physical outlet via closing/relocating of non-performing outlets.

Share Information

Bloomberg Code	BESHOM MK
Stock Code	7668
Listing	Main Market
Share Cap (mn)	300.1
Market Cap (RMmn)	450.2
52-wk Hi/Lo (RM)	2.15/1.43
12-mth Avg Daily Vol ('000 shrs)	49.2
Estimated Free Float (%)	45.8
Beta	0.8
Major Shareholders (%)	
Tan family	16.0
Akintan Sdn Bhd	8.4
Excellent Communication Sdn Bhd	5.4

Forecast Revision

	FY23	FY24
Forecast Revision (%)	-	-
Net profit (RMm)	42.1	45.8
Consensus	40.0	50.6
TA's / Consensus (%)	105.3	90.6
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY23	FY24
Net debt/ equity (%)	Net Cash	Net Cash
ROE (%)	13.0	13.7
ROA (%)	11.0	11.3
NTA/Share (RM)	1.1	1.2
Price/ NTA (x)	1.3	1.3

Scorecard

	% of FY22	
vs TA	90	Below
vs Consensus	92	Below

Share Performance (%)

Price Change	BESHOM	FBM KLCI
1 mth	(6.3)	(6.2)
3 mth	(4.5)	(10.1)
6 mth	(17.1)	(5.3)
12 mth	(28.2)	(7.6)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Valuation

- We maintain our target price unchanged at RM1.85/share based on 12x CY23 EPS. Reiterate Buy.

Table 1: Earnings Summary

FYE Apr (RM mn)	2020	2021	2022	2023E	2024F
Revenue	255.2	271.4	209.6	299.0	319.3
EBITDA	47.5	58.2	45.9	62.7	67.7
EBIT	40.9	51.9	39.9	56.6	61.7
PBT	41.5	52.3	40.1	56.7	61.7
Net profit	32.6	38.8	28.6	42.1	45.8
Core net profit	32.6	38.8	28.6	42.1	45.8
Core EPS (sen)	11.2	13.4	9.6	14.5	15.8
Core PER (x)	13.3	11.2	15.6	10.3	9.5
DPS (sen)	10.0	9.0	8.0	11.0	12.0
Div. yield (%)	6.7	6.0	5.3	7.3	8.0

Table 2: 4QFY22 Results Analysis

FYE 30 Apr	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
Revenue	66.8	59.4	45.3	(23.8)	(32.2)	271.4	209.6	(22.8)
Cost of sales	(39.9)	(34.7)	(25.6)	(26.5)	(36.0)	(166.4)	(123.2)	(26.0)
Gross profit	26.8	24.7	19.7	(20.0)	(26.5)	105.0	86.3	(17.7)
EBIT	11.3	10.8	9.4	(13.3)	(17.4)	51.9	39.9	(23.1)
Adj. EBIT	11.3	10.8	9.4	(13.3)	(17.4)	51.9	39.9	(23.1)
Net interest expense	0.1	0.1	0.1	(21.2)	(18.8)	0.4	0.3	(24.4)
Extraordinary Items	0.0	0.0	0.0	nm	nm	0.0	0.0	nm
PBT	11.4	10.9	9.4	(13.5)	(17.8)	52.3	40.1	(23.2)
Adj. PBT	11.4	10.9	9.4	(13.5)	(17.8)	52.3	40.1	(23.2)
Taxation	(3.1)	(2.7)	(3.3)	19.7	6.3	(13.4)	(10.9)	(18.3)
Minority Interest	(0.1)	(0.4)	(0.1)	(76.4)	(27.7)	(0.1)	(0.7)	471.8
Net Profit	8.2	7.7	6.0	(21.8)	(26.6)	38.8	28.6	(26.4)
Adj. Net Profit	8.2	7.7	6.0	(21.8)	(26.6)	38.8	28.6	(26.4)
Basic EPS (sen)	2.8	2.6	2.0	(22.5)	(28.5)	13.4	9.6	(28.4)
DPS (sen)	5.0	0.0	5.0	nm	nm	9.0	8.0	nm
				%-points	%-points			%-points
EBIT Margin (%)	17.0	18.2	20.7	2.5	3.7	19.1	19.0	(0.1)
PBT Margin (%)	17.1	18.3	20.8	2.5	3.6	19.3	19.2	(0.1)
Net Margin (%)	12.3	13.0	13.3	0.3	1.0	14.3	13.6	(0.7)
Adj. Net Margin (%)	12.3	13.0	13.3	0.3	1.0	14.3	13.6	(0.7)
Tax Rate (%)	26.8	25.1	34.7	9.6	7.9	25.5	27.2	1.6

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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 27, 2022, the analyst, Tan Kam Meng, who prepared this report, has interest in the following securities covered in this report:
 (a) nil

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