

Malaysia

September 28, 2023 - 12:03 PM

HOLD (no change)

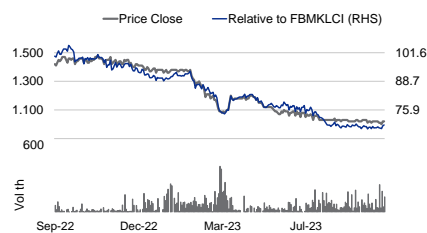
Consensus ratings*: Buy 0 Hold 1 Sell 1

Current price:	RM1.02
Target price:	RM0.99
Previous target:	RM0.99
Up/downside:	-2.9%
CGS-CIMB / Consensus:	1.5%
Reuters:	BESH.KL
Bloomberg:	BESHOM MK
Market cap:	US\$65.02m RM306.1m
Average daily turnover:	US\$0.02m RM0.07m
Current shares o/s	300.1m
Free float:	46.0%

*Source: Bloomberg

Key financial forecasts

	Apr-24F	Apr-25F	Apr-26F
Net Profit (RMm)	16.56	20.05	21.52
Core EPS (RM)	0.055	0.067	0.072
Core EPS Growth	18.0%	21.1%	7.3%
FD Core P/E (x)	18.49	15.26	14.22
Recurring ROE	5.32%	6.36%	6.70%
P/BV (x)	0.98	0.96	0.94
DPS (RM)	0.045	0.050	0.050
Dividend Yield	4.41%	4.90%	4.90%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	-2.9	-28.2
Relative (%)	0.3	-6.7	-30.3

Major shareholders	% held
The Estate of the late Tan Kai Hee	10.8
Akintan Sdn Bhd	8.5
Excellant Communication Sdn Bhd	5.4

Analyst(s)

KHOO Zhen Ye
T (60) 3 2635 9278
E zhenye.khoo@cgs-cimb.com

Prem JEARAJASINGAM
T (60) 3 2635 9288
E prem.jearajasingam@cgs-cimb.com

Beshom Holdings Bhd

A weak start to FY24F, but hope remains

- 1QFY4/24 core net profit came in below expectations, at 15.5% of our and 13.4% of Bloomberg consensus' FY4/24F estimates.
- We believe that improvements in consumer spending power via targeted subsidies/policies for the B40 and M40 groups may play through in FY25F.
- We reiterate our Hold rating on Beshom with a TP of RM0.99, based on a 15.7x CY24F P/E multiple (0.5 s.d. below its historical mean).

1Q24 core net profit tracking below at 15.5% of our FY24F estimates

- Beshom Holdings recorded a 1QFY4/24 core net profit of RM2.6m (-52.1% yoy, -1.9% qoq), which was below expectations at 15.5% of our and 13.4% of Bloomberg consensus' FY4/24F estimates, as softer consumer spending hurt revenues. We believe sales may see some recovery in upcoming quarters as incentive campaigns pick up.
- Beshom's three key segments (MLM, Wholesale and Retail) were impacted by soft consumer sentiment, amid inflationary pressures, and dampened discretionary spending power. 1QFY4/24 revenue of RM35.2m (-27.1% yoy, -9.6% qoq) was below expectations, at 20.4% of our and 18.9% of Bloomberg consensus' FY4/24F estimates.
- MLM segment saw 1QFY24 sales fall 42.2% yoy to RM12.4m, in part due to the lack of incentive trip campaigns during the quarter.

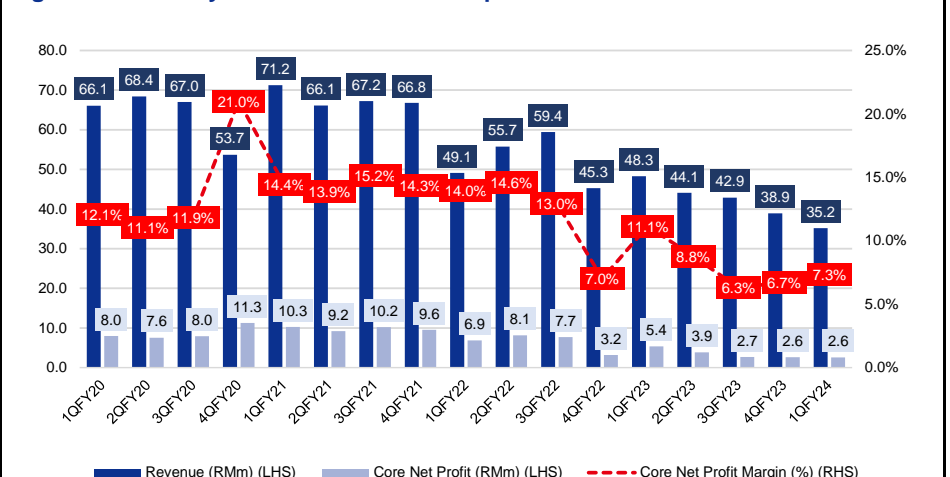
Stronger consumer spending power may play through in FY25F

- As we alluded to in our previous report, "[Weakness in MLM set to continue](#)," dated 8 Sep 2023, Beshom's key target customers (B40 and M40 income groups) in the MLM segment may see improvements in their spending power as the Malaysian government rolls out stimulus/subsidy measures and/or policies (e.g. it raised the monthly minimum wage from RM1,200 to RM1,500 back in Jul 23).
- While a rise in consumer spending power would be directly beneficial to Beshom's revenue, we believe this may only play through from FY25F onwards.

Reiterate Hold with a TP of RM0.99

- We maintain our Hold rating on Beshom given the lack of near-term catalysts. Our TP of RM0.99 is based on a 15.7x CY24F P/E multiple, which is 0.5 s.d. below its historical mean to reflect the weak consumer spending environment. We believe share price will remain supported by a 4.4% FY24F dividend yield.
- Key upside risks: stronger-than-expected subsidies, stimulus or policies targeting the B40 and M40 income groups being rolled out by the Malaysian government.
- Key downside risks: further deterioration in consumer spending power due to weakness in the economy, and loss of operating efficiencies as revenues decline.

Figure 1: Quarterly revenues and core net profit trends



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: 1QFY4/24 results summary

Interim Results	1QFY24	1QFY23	yoy % chg	4QFY23	qoq % chg
Revenue	35.2	48.3	(27.1%)	38.9	(9.6%)
Operating Costs	(31.4)	(41.9)	(25.1%)	(33.8)	(7.1%)
EBITDA	3.8	6.4	(40.1%)	5.2	(26.2%)
<i>EBITDA Margin (%)</i>	<i>10.8%</i>	<i>13.2%</i>	<i>(2.4%)</i>	<i>13.3%</i>	<i>(2.4%)</i>
Depreciation & Amortisation	(1.4)	(1.4)	(1.6%)	(1.4)	(3.6%)
EBIT	2.4	5.0	(50.9%)	3.7	(34.8%)
<i>EBIT Margin (%)</i>	<i>6.9%</i>	<i>10.3%</i>	<i>(3.4%)</i>	<i>0.1</i>	<i>(2.7%)</i>
Finance Costs	(0.1)	(0.0)	22.2%	(0.1)	(34.5%)
Finance Income	0.1	0.1	(4.1%)	0.1	1.4%
Associates' Contribution	(0.0)	(0.0)	(55.9%)	(0.1)	(72.2%)
Other Income	1.0	2.8	(63.8%)	1.2	(17.0%)
Exceptionals	(0.1)	1.7	nm	0.0	nm
Pretax Profit	3.4	9.5	(64.1%)	5.0	(31.8%)
<i>Pretax Profit Margin (%)</i>	<i>9.7%</i>	<i>19.7%</i>	<i>(10.0%)</i>	<i>12.8%</i>	<i>(3.2%)</i>
Tax	(0.9)	(2.4)	(60.9%)	(2.5)	(62.0%)
<i>Tax rate (%)</i>	<i>27.4%</i>	<i>25.2%</i>	<i>2.2%</i>	<i>0.5</i>	<i>(21.8%)</i>
Minority Interests	0.0	0.1	(74.3%)	(0.1)	nm
Net Profit	2.5	7.0	(65.0%)	2.7	(7.6%)
<i>Net Profit Margin (%)</i>	<i>7.0%</i>	<i>14.6%</i>	<i>(7.6%)</i>	<i>0.1</i>	<i>0.2%</i>
Core Net Profit	2.6	5.4	(52.1%)	2.6	(1.9%)
<i>Core Net Profit Margin (%)</i>	<i>7.3%</i>	<i>11.1%</i>	<i>(3.8%)</i>	<i>0.1</i>	<i>0.6%</i>
EPS (sen)	0.82	2.34	(65.0%)	0.89	(7.6%)
Core EPS (sen)	0.86	1.79	(52.1%)	0.87	(1.9%)

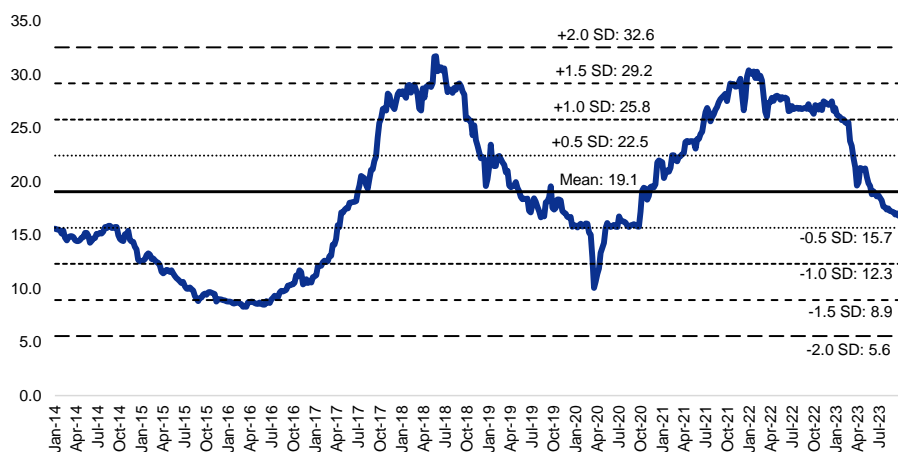
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: 1QFY4/24 segmental operating profit breakdown

Segmental Revenue (RM m)	1QFY24	1QFY23	yoy % chg	4QFY23	qoq % chg
Multi-Level Marketing	12.4	21.5	(42.2%)	15.4	(19.2%)
Wholesale	14.3	17.0	(16.1%)	14.5	(1.8%)
Retail	7.0	8.7	(19.6%)	7.9	(11.9%)
Others	1.6	1.1	38.4%	1.1	35.4%
Segmental Op. Profit (RM m)	1QFY24	1QFY23	yoy % chg	4QFY23	qoq % chg
Multi-Level Marketing	0.4	2.7	(87.0%)	2.7	(87.2%)
Wholesale	2.1	5.7	(63.6%)	1.3	56.2%
Retail	(0.4)	0.5	nm	0.1	nm
Others	1.1	0.6	77.4%	0.6	95.5%
Segmental Op. Profit Margin (%)	1QFY24	1QFY23	yoy % chg	4QFY23	qoq % chg
Multi-Level Marketing	0.0	0.1	(77.6%)	0.2	(84.1%)
Wholesale	0.1	0.3	(56.6%)	0.1	59.1%
Retail	(0.1)	0.1	nm	0.0	nm
Others	0.7	0.6	28.2%	0.5	44.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Adj. P/E (1-year forward, as of 22 Sep 2023)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Sector comparison

Company	Mkt Cap (RMm)	Rec.	Price (RM)	TP (RM)	PE (x)		CAGR (%)	PEG (x)	PBV (x)		ROE (%)		Net gearing (%)	
					CY23F	CY24F			CY23F	CY24F	CY23F	CY24F	CY23F	CY24F
Senheng New Retail Bhd	555	ADD	0.37	0.62	8.9	9.1	1.3	7.1	0.9	0.9	10.6	9.7	(40)	(41)
Panasonic Manufacturing Malaysia Berhad	1,163	REDUCE	19.14	20.10	16.3	14.3	nm	nm	1.4	1.4	8.6	9.7	(64)	(64)
Mynews Holdings Berhad	413	ADD	0.55	0.66	82.0	30.9	nm	nm	2.0	1.9	2.4	6.1	70	65
InNature Bhd	311	ADD	0.44	0.80	12.0	9.9	15.6	0.8	2.0	1.9	16.8	19.2	(19)	(19)
Berjaya Food Berhad	1,289	ADD	0.74	1.00	12.2	11.2	9.8	1.2	2.5	2.2	20.4	20.0	33	25
7-Eleven Malaysia Holdings	2,163	HOLD	1.99	2.10	22.8	22.5	3.8	6.0	12.5	10.2	54.8	45.6	286	216
Power Root Bhd	921	ADD	1.99	2.80	14.6	13.7	4.9	3.0	3.2	3.0	21.6	21.6	(21)	(25)
Bonia Corporation	355	ADD	1.77	3.50	6.2	6.0	nm	nm	0.9	0.9	14.0	14.2	(11)	(11)
Mr D.I.Y. Group (M) Bhd	14,255	HOLD	1.51	1.50	25.7	23.1	9.2	2.8	8.1	6.8	31.7	29.3	(8)	(16)
Beshom Holdings Bhd	306	HOLD	1.02	0.99	19.5	16.2	15.8	1.2	1.0	1.0	5.0	6.0	(12)	(13)

DATA AS OF 27 SEP 2023
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Total Net Revenues	174.2	172.4	185.7	197.2
Gross Profit	73.2	68.7	74.3	78.9
Operating EBITDA	27.3	28.9	32.8	34.5
Depreciation And Amortisation	(5.5)	(5.6)	(5.3)	(5.1)
Operating EBIT	21.8	23.3	27.5	29.4
Financial Income/(Expense)	0.4	1.2	1.8	1.9
Pretax Income/(Loss) from Assoc.	(0.2)	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	22.0	24.5	29.3	31.2
Exceptional Items				
Pre-tax Profit	22.0	24.5	29.3	31.2
Taxation	(7.5)	(7.6)	(8.7)	(9.2)
Exceptional Income - post-tax				
Profit After Tax	14.5	17.0	20.6	22.1
Minority Interests	(0.5)	(0.4)	(0.5)	(0.6)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	14.0	16.6	20.1	21.5
Recurring Net Profit	14.0	16.6	20.1	21.5
Fully Diluted Recurring Net Profit	14.0	16.6	20.1	21.5

Balance Sheet

(RMm)	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Total Cash And Equivalents	35.2	38.4	42.4	49.6
Total Debtors	18.2	25.5	23.7	20.8
Inventories	87.5	85.3	91.6	97.3
Total Other Current Assets	64.1	64.1	64.1	64.1
Total Current Assets	205.0	213.3	221.8	231.8
Fixed Assets	135.3	131.9	128.8	126.1
Total Investments	9.1	9.1	9.1	9.1
Intangible Assets	0.1	0.1	0.1	0.1
Total Other Non-Current Assets	3.7	3.3	3.3	3.3
Total Non-current Assets	148.2	144.4	141.4	138.6
Short-term Debt	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt				
Total Creditors	25.8	28.1	29.0	30.2
Other Current Liabilities	2.4	1.9	2.0	2.0
Total Current Liabilities	28.3	30.1	31.0	32.2
Total Long-term Debt	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	2.8	2.9	3.0	3.0
Total Non-current Liabilities	2.8	2.9	3.0	3.0
Total Provisions	0.3	0.3	0.3	0.3
Total Liabilities	31.4	33.3	34.3	35.5
Shareholders' Equity	309.7	312.7	317.8	324.3
Minority Interests	12.1	11.7	11.2	10.6
Total Equity	321.8	324.4	328.9	334.9

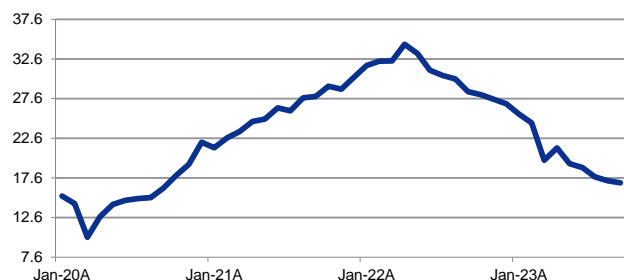
Cash Flow

(RMm)	Apr-23A	Apr-24F	Apr-25F	Apr-26F
EBITDA	27.28	28.90	32.82	34.50
Cash Flow from Invnt. & Assoc.	0.15	0.00	0.00	0.00
Change In Working Capital	-5.22	-2.74	-3.68	-1.59
(Incr)/Decr in Total Provisions	0.91	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	-3.86	0.00	0.00	0.00
Other Operating Cashflow				
Net Interest (Paid)/Received	0.39	1.24	1.78	1.85
Tax Paid	-10.18	-7.55	-8.69	-9.16
Cashflow From Operations	9.48	19.85	22.24	25.61
Capex	-3.28	-1.72	-1.86	-1.97
Disposals Of FAs/subsidiaries	33.70	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	-38.41	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	-7.99	-1.72	-1.86	-1.97
Debt Raised/(repaid)	-1.56	-1.16	-1.19	-1.22
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	-24.25	-13.70	-15.20	-15.20
Preferred Dividends				
Other Financing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Financing	-25.81	-14.86	-16.39	-16.42
Total Cash Generated	-24.32	3.27	3.99	7.21
Free Cashflow To Equity	-0.07	16.97	19.19	22.41
Free Cashflow To Firm	1.71	18.32	20.58	23.84

Key Ratios

	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Revenue Growth	(16.9%)	(1.0%)	7.7%	6.2%
Operating EBITDA Growth	(37.6%)	5.9%	13.6%	5.1%
Operating EBITDA Margin	15.7%	16.8%	17.7%	17.5%
Net Cash Per Share (RM)	0.12	0.13	0.14	0.17
BVPS (RM)	1.03	1.04	1.06	1.08
Gross Interest Cover	98.5	121.8	138.7	144.3
Effective Tax Rate	34.0%	30.8%	29.7%	29.3%
Net Dividend Payout Ratio	107%	82%	75%	70%
Accounts Receivables Days	40.98	46.38	48.40	41.20
Inventory Days	319.5	304.8	289.7	291.2
Accounts Payables Days	110.3	95.2	93.6	91.2
ROIC (%)	8.0%	8.3%	9.8%	10.5%
ROCE (%)	6.9%	7.6%	9.0%	9.5%
Return On Average Assets	3.91%	4.43%	5.21%	5.51%

12-mth Fwd FD P/E (x) - Beshom Holdings Bhd



Key Drivers

	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Cost of Sales as % Rev	-58.0%	-60.2%	-60.0%	-60.0%
Admin Expense as % Rev	-13.8%	-11.0%	-10.5%	-10.5%
Selling & Dist. Expense as % Rev	-17.5%	-15.5%	-15.0%	-15.0%
Other Operating Expense as % Rev	1.5%	-0.5%	-0.5%	-0.5%
Multi-Level Marketing % Rev Growth	-38.7%	-5.0%	16.0%	12.0%
Wholesale % Rev Growth	12.3%	2.0%	3.0%	2.5%
Retail % Rev Growth	5.6%	1.5%	1.5%	1.5%
Others % Rev Growth	12.8%	1.0%	1.0%	1.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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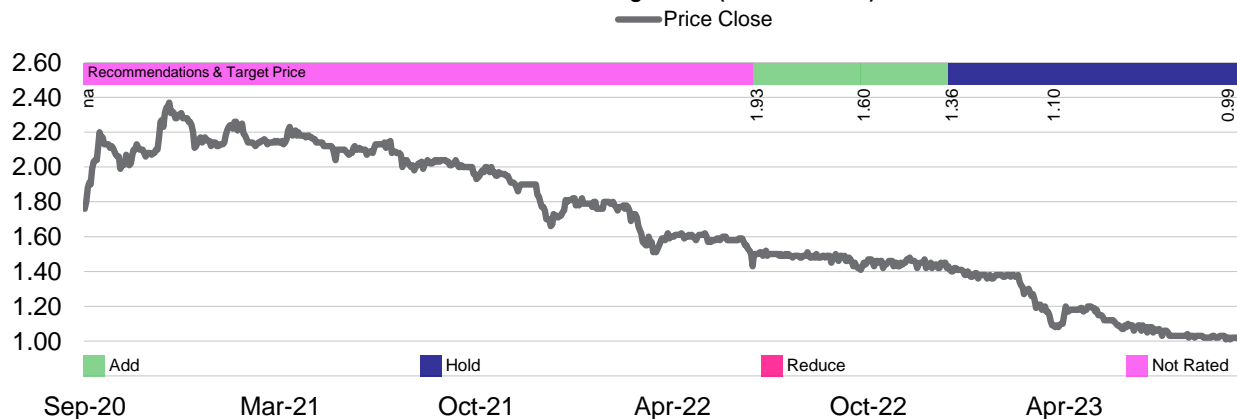
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2023		
632 companies under coverage for quarter ended on 30 June 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.3%	0.9%
Hold	25.8%	0.3%
Reduce	8.9%	0.0%

Spitzer Chart for stock being researched (2 year data)

Beshom Holdings Bhd (BESHOM MK)



Recommendation Framework

Stock Ratings

- Add** Definition: The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** Definition: The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** Definition: The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Underweight** Definition: An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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