

Company Result

22 December 2021

Beshom Holdings Berhad

HOLD

1HFY22: Soothing results

Maintained

| | |
|---------------------|---------------|
| Share Price | RM1.72 |
| Target Price | RM1.86 |

Result

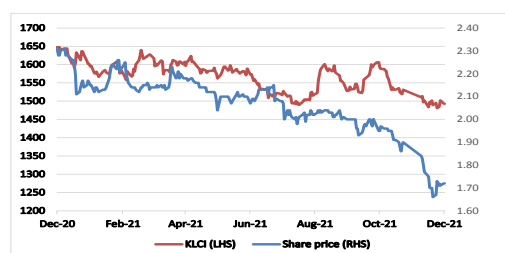
Company Description
Beshom Holdings Berhad operates as a holding company. The Company, through its subsidiaries, focuses on wholesaling and retailing of herbal medicines, healthcare products, and beauty products.

| | |
|--------------------------------------|----------------------------------|
| Stock Data | |
| Bursa / Bloomberg code | 7668 / BESHOM MK |
| Board / Sector | Industrial/Food & Drug Retailers |
| Syariah Compliant status | No |
| FTSE4Good Index | No |
| ESG Rating | ☆☆ |
| Issued shares (m) | 300.10 |
| Market cap. (RMm) | 516.18 |
| 52-week price Range | RM1.65 – 2.38 |
| Beta (against KLCI) | 1.04 |
| 3-m Average Daily Volume | 0.06m |
| 3-m Average Daily Value ^A | RM0.11m |

| | | | |
|--------------------------|------|-------|-------|
| Share Performance | | | |
| | 1m | 3m | 12m |
| Absolute (%) | -9.5 | -12.2 | -25.5 |
| Relative (%-pts) | -7.4 | -11.9 | -18.6 |

| | | |
|---------------------------|--|----------|
| Major Shareholders | | % |
| Kai Hee Tan | | 10.66 |
| Akintan Sdn Bhd | | 8.13 |
| Tan Keng Kang | | 5.38 |

Historical Chart



Source: Bloomberg

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- **Hai-O Enterprise Berhad (Hai-O) registered a net profit of RM7.8m during 2QFY22 which soared 11.4% qoq but depleted 25% yoy. On the same note, revenue stood at RM104.8m, rising 13.4% qoq but deteriorating 15.7% yoy.**
- **As for 1HFY22, the Group clinched a net profit of RM14.8m, which was down 27.5% yoy on the back of sluggish revenue which slipped 23.7% yoy.** The disappointing performance was resulted from discouraging earnings from both Multi-Level Marketing (MLM) and Wholesale segments with lower sales from all of its segments.
- **Within forecast.** 1HFY22 net profit of RM14.8m was within our in-house and market expectation, which accounts for 42.5% and 42.7% of full year earnings forecast respectively.
- **Dividend declared.** Hai-O has declared a single tier interim dividend of 3sen/share during 2QFY22, which make up 33.3% from our dividend pay-out forecast for FY22.
- **Internal Reorganization completed.** On the 29 Nov 2021, the Internal Reorganisation exercise of Hai-O Group has completed and Beshom Holdings Berhad is assumed the listing status of Hai-O. Beshom is currently the investment holdings company, the parent company of all subsidiaries. Business activities of the subsidiaries were remain unchanged.

Comment

- **Strong QoQ as restricted movement order lifted.** Revenue and PBT improved 13.4% qoq and 11.7% qoq respectively during 2QFY22. Encouraging performance was underpinned by stellar results from MLM (revenue: +18.7% qoq; PBT: +14.5% qoq) and Wholesale (revenue: +5.6% qoq; PBT: +42.9% qoq) segments as well as Retail segment (revenue: +6.8% qoq; PBT: +50% qoq). Higher sales from MLM segment given stellar sales from small ticket items while better sales from Wholesale and Retail segments driven by reopening of economic activities during National Recovery Plan (NRP) phase period.
- **Disappointing YoY despite turnaround in Retail segment earnings.** Revenue tumbled 15.7% yoy during this period given sluggish MLM sales (revenue down 19.5% yoy) as existing members remained cautious on spending on the back of weaker new members recruitment and renewal.

Besides, Wholesale and Retail revenues decreased 10.9% yoy and 4.9% yoy respectively following lesser demand on premium medicated tonic and cooking wine from HORECA business (*food industry business*) for Wholesale segment as well as poor consumer sentiment for Retail segment. Besides, PBT margin depleted 1.6ppts yoy following one-off gain from the disposal of vintage tea amounting to RM0.8m which failed to offset turnaround in Retail segment earnings which registered RM0.6m in PBT during this period.

- **Discouraging 1HFY22.** Cumulatively, PBT depleted 26.8% qoq amid disappointing revenue, sliding 23.7% yoy. Sluggish revenue was bogged down by all of its segment as various movement control order (MCOs) was imposed during this period amid stringent standard operating measure (SOPs). Despite sluggish Wholesale segmental PBT margin (-12ppts yoy), PBT margin for MLM and Retail segment inched up by 0.6ppts yoy and 6ppts yoy respectively arising from better cost optimization measure.
- **Moderate outlook for FY22.** Looking forward, the Group remains cautious on current business environment following higher inflationary pressure due to supply chain disruptions as well as shortage of labour which may impact the overall business growth despite higher vaccination rate coupled with easing of movement restriction in our country. The Group is committed to focus on their core competitive advantages and strengths while remain vigilant and agile to new business risks and opportunities especially keeping a close rein on costs. MLM segment now is focusing on small-ticket-items products such as health supplements and other essential products to cater the market demand. Meanwhile, Wholesale and Retail segments will launch extensive CNY promotion campaigns through their conventional channels, Hai-O e-commerce platform, as well as third party platforms for the upcoming Chinese New Year festive. Overall, we expect the Group's business to go through stiff operating environment despite some relaxation of economic activities as we expect consumer sentiment to remain weak at this juncture.

Earnings Outlook/Revision

- **No change to our FY22F and FY23F net earnings forecast.**

Valuation & Recommendation

- **Maintain HOLD with an unchanged target price of RM1.86.** Our target price is based on P/E multiple of 16x FY22F EPS of 11.6 sen, close to 5-year mean PE of 16.6x. We deem the stock is fairly valued and share price is well supported by its decent dividend yield of over 5% for FY22F.
- **Risks include:** 1) Higher-than-expected operating expenses (i.e. higher marketing and branding expenses), 2) Lower-than-expected domestic spending due to higher cost of living, 3) Perpetual COVID-19 pandemic which weigh down overall business performance.

Figure 1: Quarterly Figures

| Year ended 30 April | 2QFY22 | 1QFY21 | 2QFY21 | QoQ | YoY | 6MFY22 | 6MFY21 | YoY |
|---------------------|--------|--------|--------|-------------|-------------|--------|--------|-------------|
| | RM'm | RM'm | RM'm | % | % | RM'm | RM'm | % |
| Revenue | 55.7 | 49.1 | 66.1 | 13.4% | -15.7% | 104.8 | 137.3 | -23.7% |
| Gross profit | 21.2 | 20.8 | 26.1 | 1.9% | -18.8% | 42.0 | 52.2 | -19.5% |
| Operating profit | 10.4 | 9.3 | 13.5 | 11.8% | -23.0% | 19.7 | 27.0 | -27.0% |
| PBT | 10.5 | 9.4 | 13.5 | 11.7% | -22.2% | 19.9 | 27.2 | -26.8% |
| PAT | 7.9 | 7.0 | 10.2 | 12.9% | -22.5% | 15.0 | 20.4 | -26.5% |
| Net profit | 7.8 | 7.0 | 10.4 | 11.4% | -25.0% | 14.8 | 20.4 | -27.5% |
| Margin (%) | | | | <i>ppts</i> | <i>ppts</i> | | | <i>ppts</i> |
| Gross profit margin | 38.1% | 42.4% | 39.5% | -4.3 | -1.4 | 40.1% | 38.0% | 2.1 |
| EBIT margin | 18.7% | 18.9% | 20.4% | -0.3 | -1.8 | 18.8% | 19.7% | -0.9 |
| PBT margin | 18.9% | 19.1% | 20.4% | -0.3 | -1.6 | 19.0% | 19.8% | -0.8 |
| PAT margin | 14.2% | 14.3% | 15.4% | -0.1 | -1.2 | 14.3% | 14.9% | -0.5 |
| Net profit margin | 14.0% | 14.3% | 15.7% | -0.3 | -1.7 | 14.1% | 14.9% | -0.7 |

Source: Company, JF Apex

Figure 2: Revenue and PBT by division

| Year ended 30 April | 2QFY22 | 1QFY21 | 2QFY21 | QoQ | YoY | 6MFY22 | 6MFY21 | YoY |
|---------------------|--------|--------|--------|-------------|-------------|--------|--------|--------|
| | RM'm | RM'm | RM'm | % | % | RM'm | RM'm | % |
| Revenue | | | | | | | | |
| MLM division | 35.6 | 30.0 | 44.2 | 18.7% | -19.5% | 65.6 | 93.5 | -29.8% |
| Wholesale division | 11.4 | 10.8 | 12.8 | 5.6% | -10.9% | 22.2 | 26.0 | -14.6% |
| Retail division | 7.8 | 7.3 | 8.2 | 6.8% | -4.9% | 15.1 | 16.1 | -6.2% |
| PBT | | | | | | | | |
| MLM division | 7.1 | 6.2 | 8.4 | 14.5% | -15.5% | 13.3 | 18.4 | -27.7% |
| Wholesale division | 2.0 | 1.4 | 4.2 | 42.9% | -52.4% | 3.4 | 7.1 | -52.1% |
| Retail division | 0.6 | 0.4 | - | 50.0% | - | 1.0 | 0.1 | 900.0% |
| PBT margin (%) | | | | <i>ppts</i> | <i>ppts</i> | | | |
| MLM division | 19.9% | 20.7% | 19.0% | -0.7 | 0.9 | 20.3% | 19.7% | 0.6 |
| Wholesale division | 17.5% | 13.0% | 32.8% | 4.6 | -15.3 | 15.3% | 27.3% | -12.0 |
| Retail division | 7.7% | 5.5% | 0.0% | 2.2 | 7.7 | 6.6% | 0.6% | 6.0 |

Source: Company, JF Apex

Figure 3: Financial Summary

| Year ended 30 April | FY18 | FY19 | FY20 | FY21 | FY22F | FY23F |
|---------------------|----------|----------|----------|----------|----------|----------|
| | RMm | RMm | RMm | RMm | RMm | RMm |
| Revenue | 461.8 | 328.4 | 255.2 | 271.4 | 268.4 | 272.6 |
| Gross profit | 162.2 | 126.2 | 99.2 | 105.0 | 104.3 | 106.6 |
| Operating profit | 97.6 | 62.2 | 43.1 | 53.4 | 48.0 | 50.7 |
| PBT | 99.0 | 63.4 | 41.5 | 52.3 | 48.1 | 50.9 |
| PAT | 75.1 | 47.5 | 32.3 | 38.9 | 34.6 | 37.4 |
| Net profit | 75.4 | 47.7 | 32.6 | 39.2 | 34.8 | 37.6 |
| Margin (%) | | | | | | |
| Gross profit margin | 35.1% | 38.4% | 38.9% | 38.7% | 38.9% | 39.1% |
| Operating profit | 21.1% | 18.9% | 16.9% | 19.7% | 17.9% | 18.6% |
| PBT margin | 21.4% | 19.3% | 16.3% | 19.3% | 17.9% | 18.7% |
| PAT margin | 16.3% | 14.4% | 12.7% | 14.3% | 12.9% | 13.7% |
| Net profit margin | 16.3% | 14.5% | 12.8% | 14.4% | 13.0% | 13.8% |
| Growth (%) | | | | | | |
| Revenue growth | 14.3% | -28.9% | -22.3% | 6.3% | -1.1% | 1.5% |
| Gross Profit growth | 22.1% | -22.2% | -21.4% | 5.8% | -0.7% | 2.2% |
| PBT growth | 26.8% | -36.0% | -34.5% | 26.0% | -8.0% | 5.7% |
| PAT growth | 26.9% | -36.8% | -31.9% | 20.4% | -11.1% | 8.0% |
| Net profit growth | 27.2% | -36.7% | -31.7% | 20.2% | -11.2% | 7.9% |
| Net gearing | Net cash | Net cash | Net cash | Net cash | Net cash | Net cash |
| ROA | 19.0% | 13.1% | 9.0% | 10.6% | 10.0% | 11.0% |
| ROE | 23.6% | 14.9% | 10.5% | 12.1% | 12.5% | 13.0% |
| EPS (sen) | 25.1 | 15.9 | 10.9 | 13.1 | 11.6 | 12.5 |
| P/E | 0.07 | 0.11 | 0.16 | 0.13 | 0.15 | 0.14 |
| DPS (sen) | 0.20 | 0.13 | 0.10 | 0.09 | 0.09 | 0.10 |
| Dividend Payout | 0.8% | 0.8% | 0.9% | 0.7% | 0.8% | 0.8% |
| Dividend yield (%) | 11.6% | 7.6% | 5.8% | 5.2% | 5.2% | 5.8% |

Source: Company, JF Apex

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JF APEX SECURITIES – RESEARCH RECOMMENDATION FRAMEWORK
STOCK RECOMMENDATIONS

- BUY** : The stock's total returns* are expected to exceed 10% within the next 12 months.
- HOLD** : The stock's total returns* are expected to be within +10% to – 10% within the next 12 months.
- SELL** : The stock's total returns* are expected to be below -10% within the next 12 months.
- TRADING BUY** : The stock's total returns* are expected to exceed 10% within the next 3 months.
- TRADING SELL** : The stock's total returns* are expected to be below -10% within the next 3 months.

*capital gain + dividend yield

SECTOR RECOMMENDATIONS

- OVERWEIGHT** : The industry as defined by the analyst is expected to exceed 10% within the next 12 months.
- MARKETWEIGHT** : The industry as defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
- UNDERWEIGHT** : The industry as defined by the analyst, is expected to be below -10% within the next 12 months.

ESG RECOMMENDATIONS

- ☆☆☆☆ : Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSA Russell
- ☆☆☆ : Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSA Russell
- ☆☆ : Top 51-75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSA Russell
- ☆ : Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSA Russell

Source: Bursa Malaysia and FTSE Russell

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