

Beshom Holdings Berhad

TP: RM0.71 (-30.4%)
A Weaker Start for FY24

Last Traded: RM1.02

Sell (ESG: ★★★)

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Review

- Beshom Holdings Bhd's (BESHOM) IQFY24 core earnings of RM2.6mn disappointed ours and market's forecasts, accounting for 12% of our and 13.5% of consensus' full-year forecasts. The negative variance was largely underpinned by the weakened consumer sentiment and lower demand towards non-essential goods.
- No dividend was declared for the quarter under review.
- **YoY**, the IQFY24 revenue declined by 27.1% to RM35.2mn due to weaker demand for health supplement goods. Consequently, the group's adjusted EBIT fell to RM3.5mn (-55.5% YoY), exacerbated by higher opex (i.e., the marketing and administration cost).
- **MLM**. Notwithstanding the lingering marketing efforts, the sales momentum and the recruitment were severely dampened amidst the challenging economic conditions that affect the consumer sentiment and purchasing power. Notably, the conversion of casual employment term by some disheartened members is anticipated to decelerate the sales momentum even further. As a result, the MLM segment registered a revenue of RM12.4mn (-42.2% YoY) and EBIT of RM0.4mn (-87.0% YoY).
- **Wholesale**. The segmental revenue fell to RM 14.3mn (-16.1% YoY), largely attributed to high base effect, which was boosted by promotion sales on certain Chinese medicated products and cooking wines. In tandem with lower revenue coupled with sluggish sales of higher margin items, the segmental EBIT slid to RM2.1mn (-63.6% YoY).
- **Retail**. A lower revenue of RM7mn (-19.6% YoY) was posted, owing to poor demand towards the house brand products and health supplement goods in the endemic phase. The profit margin was further eroded by higher administrative cost arising from rental and lower A&P subsidy coupled with rising personnel cost in pursuant to the new minimum wage bill effective early this year, resulting in LBIT of RM0.4mn (-167.1% YoY).

Impact

- We cut our FY24/FY25/FY26 earnings forecasts by 31.2%/35.4%/32.0% respectively, as a results of challenges and dampened outlook across the board.

Outlook

- **MLM**. BESHOM's MLM segmental outlook is anticipated to be clouded by dampened consumer spending in view of the rising cost of living and therefore demand is likely to remain muted. Meanwhile, we hold a cautious view regarding the MLM space due to its weakened member forces and consumption.

Share Information

Bloomberg Code	BESHOM MK
Stock Code	7668
Listing	Main Market
Share Cap (mn)	300.1
Market Cap (RMmn)	306.1
52-wk Hi/Lo (RM)	1.48/1
12-mth Avg Daily Vol ('000 shrs)	60.8
Estimated Free Float (%)	55.5
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 (%)	(31.2)	(35.4)
Net profit (RMm)	15.0	16.9
Consensus	19.3	23.2
TA's / Consensus (%)	77.8	73.1
Previous Rating	Sell (Maintained)	
Consensus Target Price (RM)	0.98	

Financial Indicators

	FY24	FY25
Net Debt / Equity (x)	Net Cash	Net Cash
ROE (%)	4.6	5.2
ROA (%)	4.0	4.5
NTA/Share (RM)	1.1	1.1
Price/NTA (x)	0.9	0.9

Scorecard

	% of FY	
vs TA	12	Below
vs Consensus	13	Below

Share Performance (%)

Price Change	BESHOM	FBM KLCI
1 mth	0.0	(0.3)
3 mth	(2.9)	3.8
6 mth	(11.3)	3.1
12 mth	(28.2)	2.1

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

- **Wholesale.** We expect that the wholesale segment's turnover should maintain status quo in the next quarter since the sales peak usually occurred in Q3, thanks to CNY festive sales.
- **Retail.** The sales outlook for the retail segment is projected to stay sluggish due to decreased foot traffic and declining demand for premium supplement products. Furthermore, we deduced that customers may seek for more cost-saving alternatives on other platforms, potentially exacerbating the slowdown in segmental sales growth.

Valuation

- Maintain **Sell** with a revised target price of **RM0.71/share** (previously RM0.96/share) based on 13x CY24 EPS.

Table 1: Earnings Summary

FYE Apr (RM mn)	2022	2023E	2024F	2025F	2026F
Revenue	209.6	174.2	152.8	170.5	190.9
EBITDA	46.2	29.4	26.1	28.6	31.7
EBIT	40.0	23.8	20.3	22.8	25.9
PBT	40.3	24.1	20.9	23.6	26.6
Net profit	28.2	16.2	15.0	16.9	19.1
Core net profit	28.4	16.2	15.0	16.9	19.1
Core EPS (sen)	9.4	5.4	5.0	5.6	6.4
Core PER (x)	10.8	18.9	20.4	18.1	16.0
DPS (sen)	8.0	3.0	4.0	5.0	5.0
Div. yield (%)	7.8	2.9	3.9	4.9	4.9

Table 2: IQFY24 Results Analysis

FYE 30 Apr	IQFY23	4QFY23	IQFY24	QoQ (%)	YoY (%)
Revenue	48.3	38.9	35.2	(9.6)	(27.1)
Cost of sales	(28.1)	(21.7)	(20.2)	(7.0)	(28.3)
Gross profit	20.1	17.2	15.0	(12.9)	(25.4)
EBIT	9.4	5.0	3.3	(33.2)	(64.6)
Adj. EBIT	7.8	5.0	3.5	(30.9)	(55.5)
Net interest	0.1	0.1	0.1	55.4	(15.5)
Extraordinary Items	(1.7)	-	0.1	nm	>100
PBT	9.5	5.0	3.4	(31.8)	(64.1)
Adj. PBT	7.8	5.0	3.5	(29.5)	(55.0)
Taxation	(2.4)	(2.5)	(0.9)	(62.0)	(60.9)
Minority Interest	(0.1)	0.1	(0.0)	(116.4)	(74.3)
Net Profit	7.0	2.7	2.5	(7.6)	(65.0)
Adj. Net Profit	5.4	2.7	2.6	(3.2)	(52.1)
Basic EPS (sen)	2.3	0.9	0.8	(7.6)	(65.0)
DPS (sen)	-	2.0	-	nm	nm
				%-points	%-points
EBIT Margin (%)	19.5	12.8	9.5	(3.4)	(10.0)
PBT Margin (%)	19.7	12.8	9.7	(3.2)	(10.0)
Net Margin (%)	14.6	6.8	7.0	0.2	(7.6)
Adj. Net Margin (%)	11.1	6.8	7.3	0.5	(3.8)
Tax Rate (%)	25.2	49.2	27.4	(21.8)	2.2

Table 3: IQFY24 Segmental Analysis

FYE 30 Apr	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)
Revenue	48.3	38.9	35.2	(9.6)	(27.1)
Multi-Level Marketing	21.5	15.4	12.4	(19.2)	(42.2)
Wholesale	17.0	14.5	14.3	(1.8)	(16.1)
Retail	8.7	7.9	7.0	(11.9)	(19.6)
Others	1.1	1.1	1.6	35.4	38.4
Segment EBIT	9.4	5.0	3.3	(33.3)	(64.6)
Multi-Level Marketing	2.7	2.7	0.4	(87.2)	(87.0)
Wholesale	5.7	1.3	2.1	56.2	(63.6)
Retail	0.5	0.1	(0.4)	(667.2)	(167.1)
Others	0.5	0.9	1.3	45.5	148.6
				%-points	%-points
Segment EBIT Margin	19.5	12.8	9.5	(3.4)	(10.0)
Multi-Level Marketing	12.6	17.8	2.8	(14.9)	(9.8)
Wholesale	33.3	9.1	14.5	5.4	(18.8)
Retail	6.2	0.8	(5.2)	(6.0)	(11.5)

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 Friday, September 29, 2023, the analyst, Raymond Ng Ing Yeow, who prepared this report, has interest in the following securities covered in this report:
(a) nil

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