

# Beshom Holdings Berhad

**TP: RM0.96 (+7.26%)**

Forecasting Strong Growth in 2HFY25

Last Traded: RM0.895

**Hold (ESG: ★★★)**

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## Review

- Beshom Holdings Bhd (BESHOM)'s 1QFY25 results accounted for 14% and 15% of ours and consensus' full year estimates, respectively. We deemed the results to be within expectation as we expect stronger festivities sales in 2HFY25 and improved cost management going forward.
- Core earnings remained flat at RM2.6mn, while quarterly revenue declined by 4.9% YoY to RM33.5mn. The weaker overall performance was mainly dragged by the underperformance of the wholesale division, which offset the improved results from the MLM and retail segments.
- **Wholesale.** Segmental revenue dipped by 20.3% YoY to RM11.4mn, primarily due to lower sales of vintage tea and Chinese medicated tonic products. Meanwhile, EBIT declined by 82.2% YoY to RM0.4mn, mainly due to higher input and logistics costs, along with lower sales in 1QFY25. As a result, the EBIT margin contracted by 11.2%-pts YoY to 3.2%.
- **MLM.** EBIT more than doubled to RM1.3mn (+283.4% YoY), while revenue increased by 3.7% YoY to RM12.9mn. The better results were primarily driven by a reduction in rebates/promotions, leading to a 7.6%-pts YoY increase in EBIT margin to 10.4%. Additionally, the PB Thera series range of products (big-ticket items) saw higher sales during 1QFY25.
- **Retail.** LBIT narrowed to RM0.3mn from RM0.4mn a year ago, driven by higher revenue of RM7.6mn (+8.7% YoY) posted in 1QFY25. The improved sales were largely attributed to higher contributions from its house brand products and spillover contributions from the members' sales campaign (held from 24th April 2024 to 5th May 2024) in 4QFY24
- No dividend was declared for the quarter under review.

## Impact

- Maintain our earnings estimates for FY25-27F.

## Outlook

- Management will continue to focus on effective marketing strategies and attractive ABO incentive payouts to boost its topline. Hence, we expect Beshom's FY25F revenue to grow by 12.5% YoY to RM169.7mn. With re-strategised promotional campaign and improved cost-control, we believe the group would be able to strengthen its bottom line going forward.
- The group successfully declared a dividend of 3.0sen/share despite its weakened performance in FY24. Looking ahead, we maintain our dividend forecast of 3.0sen/share for FY25F, supported by the group's strong net cash position of RM135.6mn.

## Share Information

Bloomberg Code	BESHOM MK
Stock Code	7668
Listing	Main Market
Share Cap (mn)	300.0
Market Cap (RMmn)	268.5
52-wk Hi/Lo (RM)	1.10/0.86
12-mth Avg Daily Vol ('000 shrs)	76.6
Estimated Free Float (%)	55.9
Beta	0.4
<b>Major Shareholders (%)</b>	
Tan Kai Hee Family Holdings Sdn bhd	10.9%
Akintan Sdn Bhd	8.8%
Excellent Communication Sdn Bhd	5.4%

## Forecast Revision

	FY25	FY26
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	17.8	19.9
Consensus	16.8	19.5
TA's / Consensus (%)	106.2	102.1
Previous Rating	Sell (Upgraded)	
Consensus Target Price (RM)	0.95	

## Financial Indicators

	FY25	FY26
Net Debt / Equity (x)	Net Cash	Net Cash
ROE (%)	5.7	6.3
ROA (%)	5.0	5.5
NTA/Share (RM)	1.1	1.1
Price/NTA (x)	0.8	0.8

## Scorecard

	% of FY	
vs TA	14	Within
vs Consensus	15	Within

## Share Performance (%)

Price Change	BESHOM	FBM KLCI
1 mth	(1.1)	0.5
3 mth	(8.7)	4.7
6 mth	0.6	8.5
12 mth	(12.3)	15.3

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

### Valuation

- We valued Beshom at an unchanged TP of **RM0.96/share** by using a 15x PER. We upgraded the stock from Sell to **Hold** due to the recent decline in share price.

**Table 1: Earnings Summary**

FYE Apr (RM'mn)	2023	2024	2025E	2026F	2027F
Revenue	174.2	150.8	169.7	189.9	201.8
EBITDA	29.5	19.7	28.8	31.6	33.9
EBIT	24.0	14.2	22.9	25.8	28.2
PBT	24.3	14.5	23.7	26.5	28.9
Net profit	16.3	10.9	17.8	19.9	21.7
Core net profit	18.0	11.5	17.8	19.9	21.7
Core EPS (sen)	6.0	3.8	5.9	6.6	7.2
Core PER (x)	14.9	23.3	15.1	13.5	12.4
DPS (sen)	5.0	3.0	3.0	3.0	3.0
Div. yield (%)	5.6	3.4	3.4	3.4	3.4

**Table 2: IQFY25 Results Analysis**

FYE 30 Apr	IQFY24	4QFY24	IQFY25	QoQ (%)	YoY (%)
Revenue	35.2	35.6	33.5	(5.9)	(4.9)
-MLM	12.4	13.0	12.9	(0.8)	3.7
-Wholesale	14.3	12.0	11.4	(5.4)	(20.3)
-Retail	7.0	9.1	7.6	(16.5)	8.7
-Others	1.6	1.5	1.6	11.5	5.6
Cost of sales	(20.2)	(19.7)	(19.6)	0.7	3.1
Gross profit	15.0	15.9	13.9	(12.4)	(7.4)
EBIT	3.3	3.4	2.7	(20.4)	(20.2)
-MLM	0.4	0.3	1.3	>100	>100
-Wholesale	2.1	0.4	0.4	(9.8)	(82.2)
-Retail	(0.4)	0.2	(0.3)	nm	30.0
-Others	-	2.5	1.2	(51.5)	nm
Adj. EBIT	3.5	4.1	3.1	(25.2)	(11.1)
Net interest	0.1	0.1	0.1	(30.4)	(26.4)
Extraordinary Items	0.1	0.8	0.4	(46.4)	>100
PBT	3.4	3.4	2.7	(20.7)	(20.7)
Adj. PBT	3.5	4.2	3.1	(25.3)	(11.8)
Taxation	(0.9)	(0.4)	(0.7)	(73.7)	29.9
Minority Interest	(0.0)	(0.0)	0.1	nm	nm
Net Profit	2.5	3.0	2.2	(27.8)	(11.8)
Adj. Net Profit	2.6	3.8	2.6	(31.6)	(0.1)
Basic EPS (sen)	0.8	1.0	0.7	(27.8)	(11.8)
DPS (sen)	-	-	-	nm	nm
				%-points	%-points
EBIT Margin (%)	9.5	9.4	8.0	(1.5)	(1.5)
PBT Margin (%)	9.7	9.6	8.1	(1.5)	(1.6)
Net Margin (%)	7.0	8.4	6.5	(2.0)	(0.5)
Adj. Net Margin (%)	7.3	10.6	7.7	(2.9)	0.4
Tax Rate (%)	27.4	11.1	24.2	13.2	(3.2)

**Table 3: IQFY25 Segmental Analysis**

FYE 30 Apr	IQFY24	4QFY24	IQFY25	QoQ (%)	YoY (%)
<b>Revenue</b>	<b>35.2</b>	<b>35.5</b>	<b>33.5</b>	<b>-5.9%</b>	<b>-4.9%</b>
Multi-Level Marketing	12.4	13.0	12.9	-0.8%	3.7%
Wholesale	14.3	12.0	11.4	-5.4%	-20.3%
Retail	7.0	9.1	7.6	-16.5%	8.7%
Others	1.6	1.5	1.6	11.5%	5.6%
<b>Segment EBIT</b>	<b>3.3</b>	<b>3.4</b>	<b>2.7</b>	<b>-20.4%</b>	<b>-20.1%</b>
Multi-Level Marketing	0.4	0.3	1.3	>100	>100
Wholesale	2.1	0.4	0.4	-9.8%	-82.2%
Retail	(0.4)	0.2	(0.3)	nm	30.0%
Others	-	2.5	1.2	-51.5%	nm
				<b>%-points</b>	<b>%-points</b>
<b>Segment EBIT Margin</b>	<b>9.5</b>	<b>9.4</b>	<b>8.0</b>	<b>(1.5)</b>	<b>(1.5)</b>
Multi-Level Marketing	2.8	2.2	10.4	8.2	7.6
Wholesale	14.5	3.4	3.2	(0.2)	(11.2)
Retail	(5.2)	1.8	(3.4)	(5.2)	1.9

### Stock Recommendation Guideline

- BUY** : Total return of the stock exceeds 12%.  
**HOLD** : Total return of the stock is within the range of 7% to 12%.  
**SELL** : Total return of the stock is lower than 7%.  
**Not Rated**: The company is not under coverage. The report is for information only.

**Total Return of the stock** includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Total Return of the sector** is market capitalisation weighted average of total return of the stocks in the sector.

### ESG Scoring & Guideline

	Environmental	Social	Governance	Average
<b>Scoring</b>	★★★	★★★	★★★	★★★
<b>Remark</b>	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. +5% premium to target price
- ★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions. +3% premium to target price
- ★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions. No changes to target price
- ★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient. -3% discount to target price
- ★ (<20%) : Minimal or no integration of ESG factors in operations and management. -5% discount to target price

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As of Monday, September 30, 2024, the analyst, Liew Yi Jiet, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

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