

Beshom Holdings Berhad

TP: RM0.84 (+0.00%)
Weigh Down by Wholesale and Retail Divisions

Last Traded: RM0.84

Sell (ESG: ★★★)

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Review

- Beshom Holdings Bhd (Beshom)'s IHFY25 core net profit of RM5.3mn came in below expectations and representing 30% and 32% of our and consensus' full-year estimates, respectively. The deviation was primarily attributed to higher-than-expected import costs.
- IHFY25 revenue rose 2.2% YoY to RM74.7mn, driven by an 8.1% YoY increase in the multi-level marketing (MLM) division. However, net profit declined 4.5% YoY to RM4.6mn, mainly due to weaker performance in the wholesale and retail segments.
- **MLM.** In 2QFY25, EBIT improved to RM1.4mn, compared to a loss of RM0.02mn in the same period last year, supported by a 12.1% YoY sales increase to RM15.0mn and ongoing cost optimisation efforts. For IHFY25, revenue rose 8.1% to RM27.8mn, while EBIT surged more than 9-fold to RM2.8mn, driven by higher sales of PB Thera Series products, improved inventory management, and better resource utilisation.
- **Wholesale.** In 2QFY25, revenue grew 15.1% YoY to RM17.0mn, driven by contributions from a new range of wellness products. However, EBIT decreased by 25.5% YoY to RM2.1mn, primarily due to higher import costs and an unfavourable sales mix. For IHFY25, revenue slightly declined by 2.3% YoY to RM28.3mn, as higher sales of new products in 2QFY25 partially offset weaker sales of Chinese medicated tonic and vintage tea. Due to lower turnover and higher import costs, EBIT fell 49.7% YoY to RM2.4mn, resulting in a decline in EBIT margin by 8.1%-pts to 8.6%.
- **Retail.** Turnover in 2QFY25 declined 7.6% YoY to RM7.8mn, reflecting a discouraging response to the half-yearly member sales campaign and cautious consumer spending on non-essential items like premium health supplements. The segment recorded a loss of RM0.3mn, compared to an EBIT of RM0.2mn in the previous year, mainly due to reduced contributions from house brand products and higher advertising and promotional (A&P) expenses. For IHFY25, revenue remained stable at RM15.4mn, but the segment's loss widened to RM0.5mn from RM0.1mn a year ago, driven by lower sales of higher-margin products and increased operating costs.
- The group declared a single tier interim dividend of 1.5sen/share, which is aligned with 2QFY24 of 1.5sen/share.

Impact

- We have revised our sales assumptions downward by 5.5%-7.2% for FY25-27F, reflecting weaker demand in the wholesale and retail segments. Additionally, due to ongoing cost pressures, we have increased our projections for selling and distribution expenses in these divisions by 4.6%

Share Information

Bloomberg Code	BESHOM MK
Stock Code	7668
Listing	Main Market
Share Cap (mn)	299.8
Market Cap (RMmn)	251.9
52-wk Hi/Lo (RM)	1.11/0.775
12-mth Avg Daily Vol ('000 shrs)	76.3
Estimated Free Float (%)	47.0
Beta	0.3
Major Shareholders (%)	
Tan Kai Hee Family Holdings Sdn bhd	10.9%
DARITAN Sdn Bhd	10.8%
Akintan Sdn Bhd	8.8%
Excellent Communication Sdn Bhd	5.4%

Forecast Revision

	FY25	FY26
Forecast Revision (%)	(29.5)	(4.4)
Net profit (RMm)	12.5	19.0
Consensus	16.7	19.5
TA's / Consensus (%)	75.3	97.6
Previous Rating	Hold (Downgraded)	
Consensus Target Price (RM)	0.95	

Financial Indicators

	FY25	FY26
Net Debt / Equity (x)	Net Cash	Net Cash
ROE (%)	4.0	6.0
ROA (%)	3.5	5.2
NTA/Share (RM)	1.1	1.1
Price/NTA (x)	0.8	0.8

Scorecard

	% of FY	
vs TA	30	Below
vs Consensus	32	Below

Share Performance (%)

Price Change	BESHOM FBM KLCI	
1 mth	1.2	(0.4)
3 mth	(5.1)	(4.6)
6 mth	(15.2)	(0.1)
12 mth	(11.6)	8.7

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

for FY25F. As a result, our earnings forecast for FY25-27F has been reduced by 4.4%-29.5%.

Outlook

- Management remains focused on cost-control measures to enhance profitability. With restructured marketing efforts and ongoing promotional activities, we believe the group is well-positioned to improve its sales performance during the upcoming Chinese New Year period.

Valuation

- Following revisions to our FY25-27F earnings estimates, we have lowered Beshom's TP to **RM0.84/share** (previously: RM0.96/share) based on 15x CY25 EPS. Given limited upside potential and the absence of major catalysts, we have downgraded the stock to **SELL** from Hold.

Table 1: Earnings Summary

FYE Apr (RM mn)	2023	2024	2025E	2026F	2027F
Revenue	174.2	150.8	158.0	176.2	190.6
EBITDA	29.5	19.7	21.7	30.2	32.3
EBIT	24.0	14.2	15.8	24.5	26.6
PBT	24.3	14.5	16.6	25.2	27.3
Net profit	16.3	10.9	12.5	19.0	20.6
Core net profit	18.0	11.5	12.5	19.0	20.6
Core EPS (sen)	6.0	3.8	4.2	6.3	6.9
Core PER (x)	14.0	21.9	20.1	13.2	12.2
DPS (sen)	5.0	3.0	3.0	3.0	3.0
Div. yield (%)	6.0	3.6	3.6	3.6	3.6

Table 2: 2QFY25 Results Analysis

FYE 30 Apr (RM'mn)	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)
Revenue	37.9	33.5	41.3	23.3	8.9	73.1	74.7	2.2
-MLM	13.3	12.9	15.0	16.2	12.1	25.8	27.8	8.1
-Wholesale	14.7	11.4	17.0	49.2	15.1	29.0	28.3	(2.3)
-Retail	8.5	7.6	7.8	3.6	(7.6)	15.5	15.4	(0.2)
-Others	1.3	1.6	1.5	(9.3)	13.8	2.9	3.1	9.4
Cost of sales	(23.0)	(19.6)	(26.1)	(33.3)	(13.3)	(43.2)	(45.6)	(5.7)
Gross profit	14.9	13.9	15.2	9.3	2.1	29.9	29.1	(2.7)
EBIT	3.2	2.7	3.4	27.8	5.5	6.6	6.1	(7.5)
-MLM	(0.0)	1.3	1.4	7.0	nm	0.3	2.8	>100
-Wholesale	2.8	0.4	2.1	>100	(25.5)	4.8	2.4	(49.7)
-Retail	0.2	(0.3)	(0.3)	(16.1)	nm	(0.1)	(0.5)	>-100
-Others	0.3	1.2	0.2	(83.3)	(27.3)	1.6	1.4	(9.9)
Adj. EBIT	3.0	3.1	3.7	20.3	21.8	6.5	6.8	4.3
Net interest	0.1	0.1	(0.0)	nm	nm	0.2	0.0	(80.1)
Extraordinary Items	(0.2)	0.4	0.3	(29.6)	nm	(0.1)	0.7	nm
PBT	3.3	2.7	3.4	24.1	0.9	6.7	6.1	(10.0)
Adj. PBT	3.1	3.1	3.6	17.1	16.4	6.7	6.8	1.5
Taxation	(1.0)	(0.7)	(1.1)	(67.9)	(15.1)	(1.9)	(1.8)	7.1
Minority Interest	(0.0)	0.1	0.1	19.0	nm	(0.1)	0.3	nm
Net Profit	2.3	2.2	2.4	10.6	3.2	4.8	4.6	(4.5)
Adj. Net Profit	2.1	2.6	2.7	4.3	26.2	4.7	5.3	11.8
Basic EPS (sen)	0.8	0.7	0.8	10.6	3.2	4.7	1.5	(67.7)
DPS (sen)	1.5	-	1.5	nm	-	1.5	1.5	-
				%-points	%-points			%-points
EBIT Margin (%)	8.5	8.0	8.3	0.3	(0.3)	9.0	8.1	(0.9)
PBT Margin (%)	8.8	8.1	8.1	0.1	(0.6)	9.2	8.1	(1.1)
Net Margin (%)	6.1	6.5	5.8	(0.7)	(0.3)	6.5	6.1	(0.4)
Adj. Net Margin (%)	5.6	7.7	6.5	(1.2)	0.9	6.4	7.0	0.6
Tax Rate (%)	28.7	24.2	32.8	8.5	4.0	28.1	28.9	0.9

Table 3: 2QFY25 Segmental Analysis

FYE 30 Apr (RM'mn)	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)
Revenue	37.9	33.5	41.3	23.3%	8.9%	73.1	74.7	2.2%
Multi-Level Marketing	13.3	12.9	15.0	16.2%	12.1%	25.8	27.8	8.1%
Wholesale	14.7	11.4	17.0	49.2%	15.1%	29.0	28.3	-2.3%
Retail	8.5	7.6	7.8	3.6%	-7.6%	15.5	15.4	-0.2%
Others	1.3	1.6	1.5	-9.3%	13.8%	2.9	3.1	9.4%
Segment EBIT	3.2	2.7	3.4	27.8%	5.5%	6.6	6.1	-7.5%
Multi-Level Marketing	(0.0)	1.3	1.4	7.0%	nm	0.3	2.8	>100
Wholesale	2.8	0.4	2.1	>100	-25.5%	4.8	2.4	-49.7%
Retail	0.2	(0.3)	(0.3)	-16.1%	nm	(0.1)	(0.5)	>-100
Others	0.3	1.2	0.2	-83.3%	-27.3%	1.6	1.4	-9.9%
				%-points	%-points			%-points
Segment EBIT Margin	8.5	8.0	8.3	0.3	(0.3)	9.0	8.1	(0.9)
Multi-Level Marketing	(0.3)	10.4	9.6	(0.8)	9.9	1.2	10.0	8.8
Wholesale	18.8	3.2	12.2	8.9	(6.6)	16.7	8.6	(8.1)
Retail	2.6	(3.4)	(3.8)	(0.4)	(6.3)	(0.9)	(3.6)	(2.6)

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
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. +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, December 23, 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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