

Beshom Holdings Berhad

Improving Outlook Ahead

TP: RM0.80 (-7.3%)

Last Traded: RM0.92

Sell (ESG: ★★★)

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We are less pessimistic about Beshom Holdings Bhd (Beshom) after our recent meeting with the management. Below are key takeaways from the meeting:

1. Sales would start recovering from FY25 onwards.
2. Seeking opportunities for overseas market expansion.
3. Ongoing rebranding of retail outlet.

We trim our earnings forecast by 19.9% for FY24 and raise our earnings forecast for FY25 and FY26 by 6.1% and 5.2% respectively. Maintain Sell with a revised TP of RM0.80/share based on 15x CY24 EPS.

Sales would start recovering from FY25 onwards

Beshom's 1HFY24 results performance was disappointing and management attributed this to a mixture of reasons including:

i. Change in consumer spending pattern

The termination of "Buy now, Pay later" payment facility has resulted in members reducing their spendings on big-ticket items (Body Shaping Lingerie, Household, and Cookware) in 1HFY24 and shifted towards small-ticket products (Nutrition Food & Beverage). We understand from management that a new payment facility, which provides a full range of payment options including instalments, will be in place soon to replace the old payment facility. As such, we expect the revenue to pick up from FY25 onwards.

ii. Higher marketing and promotional costs that led to margin erosion

The group faced an overstocking issue due to the unfavourable market conditions before economic reopening. To address this issue, the company implemented attractive marketing and promotional campaigns to clear the old stocks, resulting in a significant margin erosion to 1.2% (-10.9%-pts YoY) for the MLM segment in 1HFY24 compared to the preceding year. Having said that, we anticipate the margin would be back to normalcy as the low-margin inventory has been fully depleted.

Looking forward, we expect 2HFY24 performance to pick up seasonally in conjunction with Lunar Chinese New Year and Hari Raya festivities. Meanwhile, company has expanded its distributor force by 8,000 to 50,000 members in December 2023. Over the long term, we believe Beshom's competitive edge, manifested in a diverse range of price point and a commitment to health-conscious offerings, would regain consumers' interest. As such, in our FY25 and FY26 forecast, we expect MLM sales per distributor force to increase to c.RM1,210 and c.RM1,331 respectively from estimated RM1,100 in FY24.

Seeking opportunities for overseas market expansion

Beshom is actively exploring MLM opportunities for overseas market expansion. The group is currently engaging with local members from several countries,

Share Information

Bloomberg Code	BESHOM MK
Stock Code	7668
Listing	Main Market
Share Cap (mn)	300.1
Market Cap (RMmn)	271.6
52-wk Hi/Lo (RM)	1.43/0.895
12-mth Avg Daily Vol ('000 shrs)	71.2
Estimated Free Float (%)	55.5
Beta	0.3
Major Shareholders (%)	
Tan Kai Hee Family Holdings S dn bhd	10.9%
Akintan S dn Bhd	8.7%
Excellent Communication S dn Bhd	5.4%

Forecast Revision

	FY24	FY25
Forecast Revision (%)	(19.9)	6.1
Net profit (RMm)	12.0	18.0
Consensus	15.8	8.5
TA's / Consensus (%)	76.2	212.7
Previous Rating	Sell (Maintained)	
Consensus Target Price (RM)	0.85	

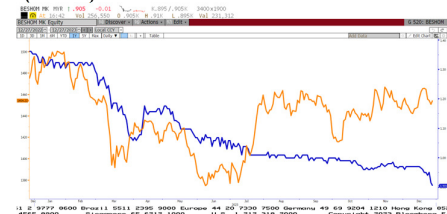
Financial Indicators

	FY24	FY25
Net Debt / Equity (x)	Net Cash	Net Cash
ROE (%)	3.9	5.8
ROA (%)	3.4	5.1
NTA/Share (RM)	1.1	1.1
Price/NTA (x)	0.9	0.9

Share Performance (%)

Price Change	BESHOM	FBM KLCI
1 mth	(6.2)	0.4
3 mth	(11.3)	1.0
6 mth	(13.8)	4.9
12 mth	(36.3)	(1.4)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

including Korea, Arab Saudi, and China for potential MLM business. To create market awareness, Beshom has participated in food exhibitions in these countries to increase exposure of its products. It anticipates that these engagements could result in new orders for the MLM segment by the end of 4QFY24 or 1HFY25.

In our opinion, we believe the overseas expansion plan is still in a preliminary stage, where Beshom is merely doing feasibility studies on these consumer markets. We also believe these are highly challenging markets where return could be narrow due to large number of existing players in the markets.

On-going rebranding of retail outlet

The group has rebranded and renovated one Hai-O chain store (1 Utama branch) (**Appendix 1**) and has planned to renovate another outlet in FY24. The rebranding effort aims to captivate a younger demographic through the revitalisation of its outlets and repackaging its products. Beshom is scheduled to hold a ribbon cutting ceremony for its new outlet on 28 December 2023, coinciding with the launch of 2024 CNY hamper. We anticipate that the rejuvenation program would attract more footfall and translate to retail sales of c.RM36mn and c.RM39mn for FY25 and FY26 (previous forecast RM34mn-RM37mn), respectively representing about 21.0% of the group's total revenue.

Impact

- We trim our FY24 earnings forecast by 19.9% due to the lower-than-expected sales per distributor force. We now forecast FY24 sales per distributor to be c.RM1,100. For FY25 and FY26, we raise our earnings forecast by 6.1% and 5.2% respectively, driven mainly by normalisation of MLM sales.

Valuation

- We reiterate **Sell** on Beshom with a revised TP of **RM0.80/share** (from RM0.71) based on 15x CY24 EPS.

Appendix

Appendix 1: New outlook after renovation



Source: Company, TA Securities

Appendix 2: Grand Opening of Hai-O retail store (1 Utama branch)



Source: Company, TA Securities

Earnings Summary

Profit and Loss Statement

FYE Apr (RM mn)	2022	2023	2024F	2025F	2026F
Revenue	209.6	174.2	153.9	171.5	191.9
EBIT	40.0	24.0	15.6	22.9	25.8
Net finance cost	0.4	0.4	0.5	0.9	0.9
EI	(0.2)	(1.7)	0.0	0.0	0.0
PBT	40.3	24.3	15.9	23.7	26.5
Taxation	(11.4)	(7.5)	(3.8)	(5.7)	(6.4)
MI	(0.7)	(0.5)	(0.0)	(0.1)	(0.1)
Net profit	28.2	16.3	12.0	18.0	20.1
Core net profit	28.4	18.0	12.0	18.0	20.1
Core EPS (sen)	9.4	6.0	4.0	6.0	6.7
DPS (sen)	8.0	5.0	4.5	5.0	5.0
Book value (RM)	1.1	1.1	1.1	1.1	1.1
NTA (RM)	1.1	1.1	1.1	1.1	1.1

Ratios

FYE Apr (RM mn)	2022	2023	2024F	2025F	2026F
Valuations					
Core PER (x)	9.7	15.2	22.8	15.3	13.7
Div. yield (%)	8.7	5.5	4.9	5.5	5.5
P/BV (x)	0.8	0.8	0.8	0.8	0.8

Profitability ratios

EBITDA margin (%)	22.1	18.0	13.9	16.8	16.5
PBT margin (%)	19.3	14.9	10.3	13.8	13.8
Core net margin (%)	13.5	10.4	7.8	10.5	10.5
Core ROE (%)	9.0	5.8	3.9	5.8	6.4
Core ROA (%)	7.6	5.0	3.4	5.1	5.6

Liquidity ratios

Current ratio (x)	5.9	7.2	7.0	7.0	6.8
Quick ratio (x)	3.6	4.2	4.9	4.7	4.8

Leverage ratios

Equity/total liabilities (x)	8.0	10.2	9.8	9.6	9.1
Net debt / equity (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Growth ratios

Revenue (%)	(22.8)	(16.9)	(11.7)	11.4	11.9
PBT (%)	(22.9)	(39.8)	(34.5)	49.3	11.9
Core net profit (%)	(27.0)	(36.4)	(33.2)	49.3	11.9

Balance Sheet

FYE Apr (RM mn)	2022	2023	2024F	2025F	2026F
PPE	81.9	82.0	83.3	84.1	84.9
Intangible asset	0.1	0.1	0.1	0.1	0.1
Others	59.9	66.1	65.3	64.6	64.0
Non-current assets	141.9	148.2	148.7	148.8	148.9
Inventories	89.3	87.5	61.6	68.6	64.0
Trade receivables	18.9	16.3	12.8	14.3	14.8
Cash and bank balance	57.4	35.2	63.8	59.5	70.9
Others	62.7	66.0	66.0	66.0	66.0
Current assets	228.2	205.0	204.2	208.4	215.7
Total assets	370.1	353.2	352.9	357.2	364.5

LT borrowings	0.0	0.0	0.0	0.0	0.0
Others	2.6	3.1	3.5	3.9	4.2
Non-current liabilities	2.6	3.1	3.5	3.9	4.2
Trade payables	35.2	25.8	26.4	27.1	28.8
ST borrowings	0.0	0.0	0.0	0.0	0.0
Others	3.2	2.4	2.7	2.9	3.0
Current liabilities	38.4	28.3	29.0	29.9	31.8
S shareholders funds	317.1	309.7	308.2	311.2	316.3
MI	12.0	12.1	12.1	12.2	12.3
Total equity	329.1	321.8	320.3	323.4	328.5

Total E&L 370.1 353.2 352.9 357.2 364.6

Cash Flow Statement

FYE Apr (RM mn)	2022	2023	2024F	2025F	2026F
Pretax profit	40.3	24.3	15.9	23.7	26.5
Depreciation	6.2	5.5	5.9	5.8	5.8
Net interest	(0.4)	(0.4)	(0.5)	(0.9)	(0.9)
Changes in WC	(2.6)	(4.2)	30.0	(7.8)	5.9
Tax	(14.4)	(10.2)	(3.8)	(5.7)	(6.4)
Others	(3.6)	(4.0)	0.1	0.2	0.2
Operational cash flow	25.5	11.0	47.7	15.3	31.1

Capex	(1.0)	(3.3)	(5.5)	(5.0)	(5.0)
Interest income	0.6	0.6	0.6	0.7	1.2
Others	2.3	(4.7)	0.1	0.5	0.0
Investing cash flow	1.9	(7.4)	(4.8)	(3.8)	(3.8)

Net share issue	0.0	0.0	0.0	0.0	0.0
Net borrowings	0.0	0.0	0.0	0.0	0.0
Dividend paid	(24.2)	(24.3)	(13.5)	(15.0)	(15.0)
Interest paid	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Others	(0.2)	(1.3)	(0.5)	(0.5)	(0.6)
Financial cash flow	(24.6)	(25.8)	(14.2)	(15.8)	(15.9)

Net cash flow	2.8	(22.2)	28.7	(4.3)	11.4
Beginning cash	54.5	57.4	35.2	63.8	59.5
Forex & others	0.0	0.0	0.0	0.0	0.0
Ending cash	57.4	35.2	63.8	59.5	70.9

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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 Thursday, December 28, 2023, 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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