

Beshom Holdings Berhad

Challenges Ahead for FY25
TP: RM0.96 (-3.0%)

Last Traded: RM0.99

Sell (ESG: ★★★)

Liew Yi Jiet

Tel: +603-2167 9602

yjliew@ta.com.my

www.taonline.com.my

Review

- Beshom Holdings Bhd (BESHOM)'s 4QFY24 results came in within ours and consensus' estimates. Despite an 8.7% YoY decrease in revenue, the core net profit surged by 41.3% YoY to RM3.8mn.
- Cumulatively, FY24 core earnings of RM11.5mn accounted for 95% and 102% of ours and consensus' full-year forecasts.
- FY24 core net profit dropped by 20.4% YoY, in tandem with decreased in revenue by 13.4% YoY. The weaker performance was mainly dragged by all segments, especially MLM and retail business.
- **MLM.** MLM's EBIT for FY24 plunged 83.3% YoY to RM1.3mn while revenue declined 25.9% YoY to RM52.4mn. The weaker performance was primarily due to lower sales and underperforming members. Moreover, higher marketing expenses and increased input costs further contributed to dragging down the results in FY24.
- **Wholesale.** The segmental revenue dropped marginally by 2.2% YoY to RM58.3mn, mainly because wholesalers rushed purchases before a price hike that took effect in FY23, leading to higher stock-up. FY24's EBIT fell by 25.8% YoY to RM7.9mn due to lower inter-segment sales.
- **Retail.** In FY24, the retail segment posted revenue of RM34.7mn (-11% YoY) primarily due to subdued demand for premium house brand products. EBIT tumbled 79.4% YoY to RM0.6mn, driven by higher staff cost combined with lower revenue.
- The group declared a final single tier interim dividend of 1.5sen/share (4QFY23: 2.0sen/share), bringing the YTD dividend amounted to 3.0sen/share (vs. FY23: 5.0sen/share).

Impact

- We lowered our earnings assumptions by 1.1% and 1.0% for FY25 and FY26, respectively, after inputting the FY24 figures. We would like to take this opportunity to introduce our FY27 core net profit of RM21.7mn (+9.1%).

Outlook

- We remain cautiously optimistic on the group's prospects, considering the potential impact of fuel subsidy rationalisation, which may exert downward pressure on the consumer spending, particularly on non-essential goods. However, the group will closely monitor operational costs and revise its marketing strategy to enhance the performance of its MLM division.
- Furthermore, the group will continue to take proactive measures to improve the in-store customer experience and enhance the effectiveness of its digital platform.

Share Information

| | |
|-------------------------------------|-------------|
| Bloomberg Code | BESHOM MK |
| Stock Code | 7668 |
| Listing | Main Market |
| Share Cap (mn) | 300.0 |
| Market Cap (RMmn) | 297.0 |
| 52-wk Hi/Lo (RM) | 1.11/0.86 |
| 12-mth Avg Daily Vol ('000 shrs) | 81.6 |
| Estimated Free Float (%) | 55.4 |
| Beta | 0.4 |
| Major Shareholders (%) | |
| 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 (%) | (1.1) | (1.0) |
| Net profit (RMm) | 17.8 | 19.9 |
| Consensus | 16.4 | 19.4 |
| TA's / Consensus (%) | 108.4 | 102.6 |
| Previous Rating | Sell (Maintained) | |
| Consensus Target Price (RM) | 0.87 | |

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) | 0.9 | 0.9 |

Scorecard

| | % of FY | |
|--------------|---------|--------|
| vs TA | 95 | Within |
| vs Consensus | 102 | Within |

Share Performance (%)

| Price Change | BESHOM | FBM KLCI |
|--------------|--------|----------|
| 1 mth | (2.9) | (2.1) |
| 3 mth | 12.5 | 3.1 |
| 6 mth | 4.2 | 9.0 |
| 12 mth | (7.5) | 14.0 |

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Valuation

- We valued Beshom using a 15x PER and arrived a new TP of **RM0.96/share** (previously: RM0.80), following the update of our valuation base year to CY25. As a result, we maintained our Sell recommendation on the stock.

Table 1: Earnings Summary

| FYE Apr (RM'mn) | 2023E | 2024 | 2025F | 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) | 16.5 | 25.8 | 16.7 | 14.9 | 13.7 |
| DPS (sen) | 5.0 | 3.0 | 5.0 | 5.0 | 5.0 |
| Div. yield (%) | 5.1 | 3.0 | 5.1 | 5.1 | 5.1 |

Table 2: 4QFY24 Results Analysis

| FYE 30 Apr | 4QFY23 | 3QFY24 | 4QFY24 | QoQ (%) | YoY (%) | FY23 | FY24 | YoY (%) |
|---------------------|--------|--------|--------|----------|----------|---------|--------|----------|
| Revenue | 38.9 | 42.2 | 35.6 | (15.7) | (8.7) | 174.2 | 150.8 | (13.4) |
| -MLM | 15.4 | 13.3 | 13.0 | (2.4) | (15.6) | 70.7 | 52.1 | (26.4) |
| -Wholesale | 14.5 | 17.3 | 12.0 | (30.6) | (17.2) | 59.6 | 58.3 | (2.2) |
| -Retail | 7.9 | 10.2 | 9.1 | (11.0) | 14.8 | 39.0 | 34.7 | (11.0) |
| -Others | 1.1 | 1.3 | 1.5 | 9.2 | 28.2 | 4.8 | 5.7 | 18.3 |
| Cost of sales | (21.7) | (25.3) | (19.7) | (22.0) | (9.2) | (101.0) | (88.1) | (12.7) |
| Gross profit | 17.2 | 16.9 | 15.9 | (6.2) | (8.0) | 73.2 | 62.6 | (14.4) |
| EBIT | 5.0 | 4.3 | 3.4 | (21.5) | (33.0) | 23.8 | 14.2 | (40.5) |
| -MLM | 2.7 | 0.7 | 0.3 | (61.7) | (89.6) | 8.0 | 1.3 | (83.3) |
| -Wholesale | 1.3 | 2.7 | 0.4 | (84.9) | (69.1) | 10.7 | 7.9 | (25.8) |
| -Retail | 0.1 | 0.6 | 0.2 | (71.7) | >100 | 2.9 | 0.6 | (79.4) |
| -Others | 0.9 | 0.2 | 2.5 | >100 | 181.7 | 2.2 | 4.3 | 96.5 |
| Adj. EBIT | 5.0 | 4.3 | 4.0 | (6.6) | (20.4) | 22.1 | 14.9 | (32.7) |
| Net interest | 0.1 | 0.1 | 0.1 | (30.3) | 64.3 | 0.4 | 0.4 | 9.0 |
| Extraordinary Items | - | - | 0.8 | nm | nm | (1.7) | 0.7 | >100 |
| PBT | 5.0 | 4.3 | 3.4 | (21.5) | (31.8) | 24.1 | 14.5 | (39.9) |
| Adj. PBT | 5.0 | 4.3 | 4.0 | (4.0) | (16.7) | 22.3 | 15.2 | (32.1) |
| Taxation | (2.5) | (1.3) | (0.4) | (70.6) | (84.7) | (7.5) | (3.6) | (52.7) |
| Minority Interest | 0.1 | (0.0) | (0.0) | 27.9 | nm | (0.4) | (0.1) | (66.3) |
| Net Profit | 2.7 | 3.0 | 3.0 | (0.5) | 12.9 | 16.2 | 10.8 | (33.2) |
| Adj. Net Profit | 2.7 | 3.0 | 3.8 | 24.6 | 41.3 | 14.4 | 11.5 | (20.4) |
| Basic EPS (sen) | 0.9 | 1.0 | 1.0 | (0.5) | 12.9 | 5.4 | 3.6 | (33.2) |
| DPS (sen) | 2.0 | - | 1.5 | nm | (25.0) | 5.0 | 3.0 | (40.0) |
| | | | | %-points | %-points | | | %-points |
| EBIT Margin (%) | 12.8 | 10.1 | 9.4 | (0.7) | (3.4) | 13.7 | 9.4 | (4.3) |
| PBT Margin (%) | 12.8 | 10.3 | 9.6 | (0.7) | (3.3) | 13.8 | 9.6 | (4.2) |
| Net Margin (%) | 6.8 | 7.2 | 12.7 | 1.3 | 1.6 | 9.3 | 7.2 | (2.1) |
| Adj. Net Margin (%) | 6.8 | 7.2 | 14.5 | 3.4 | 3.7 | 8.3 | 7.6 | (0.7) |
| Tax Rate (%) | 49.2 | 29.6 | 11.1 | (18.5) | (38.1) | 31.2 | 24.5 | (6.7) |

Table 3: 4QFY24 Segmental Analysis

| FYE 30 Apr | 4QFY23 | 3QFY24 | 4QFY24 | QoQ (%) | YoY (%) | FY23 | FY24 | YoY (%) |
|----------------------------|-------------|-------------|-------------|-----------------|-----------------|--------------|--------------|-----------------|
| Revenue | 38.9 | 42.2 | 35.5 | -15.7% | -8.7% | 174.2 | 150.8 | -13.4% |
| Multi-Level Marketing | 15.4 | 13.3 | 13.0 | -2.4% | -15.6% | 70.7 | 52.1 | -26.4% |
| Wholesale | 14.5 | 17.3 | 12.0 | -30.6% | -17.2% | 59.6 | 58.3 | -2.2% |
| Retail | 7.9 | 10.2 | 9.1 | -11.0% | 14.8% | 39.0 | 34.7 | -11.0% |
| Others | 1.1 | 1.3 | 1.5 | 9.2% | 28.2% | 4.8 | 5.7 | 18.3% |
| Segment EBIT | 5.0 | 4.3 | 3.4 | -21.5% | -33.0% | 23.8 | 14.2 | -40.5% |
| Multi-Level Marketing | 2.7 | 0.7 | 0.3 | -61.7% | -89.6% | 8.0 | 1.3 | -83.3% |
| Wholesale | 1.3 | 2.7 | 0.4 | -84.9% | -69.1% | 10.7 | 7.9 | -25.8% |
| Retail | 0.1 | 0.6 | 0.2 | -71.7% | >100 | 2.9 | 0.6 | -79.4% |
| Others | 0.9 | 0.2 | 2.5 | >100 | >100 | 2.2 | 4.3 | 96.5% |
| | | | | %-points | %-points | | | %-points |
| Segment EBIT Margin | 12.8 | 10.1 | 9.4 | (0.7) | (3.4) | 13.7 | 9.0 | (4.7) |
| Multi-Level Marketing | 17.8 | 5.6 | 2.2 | (3.4) | (15.6) | 11.4 | 2.6 | (8.8) |
| Wholesale | 9.1 | 15.6 | 3.4 | (12.2) | (5.7) | 18.0 | 12.5 | (5.5) |
| Retail | 0.8 | 5.7 | 1.8 | (3.9) | 1.0 | 7.4 | 1.7 | (5.8) |

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.

Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

As of Wednesday, June 26, 2024, the analyst, Liew Yi Jiet, who prepared this report, has interest in the following securities covered in this report:
(a) nil

"This report has been prepared by TA SECURITIES HOLDINGS BERHAD pursuant to the Research Incentive Program under Bursa Research Incentive Scheme ("Bursa RISE") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report."

Kaladher Govindan – Head of Research

TA SECURITIES HOLDINGS BERHAD 197301001467 (14948-M)
A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048
www.ta.com.my