

Beshom Holdings Berhad

TP: RM0.84 (-0.6%)

Festive Spendings to Boost 3QFY25

Last Traded: RM0.845

Sell (ESG: ★★★)

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Key takeaways from our recent engagement with Beshom's management are as follows: i) review of 1HFY25 results; ii) expectations that 2HFY25 would be driven by festive spending; and iii) recovery in the MLM division. We remain cautiously optimistic on Beshom's FY25 outlook, anticipating a recovery in MLM division. Meanwhile, festive spending should enhance the wholesale and retail divisions. We maintain Sell with an unchanged TP of RM0.84/share, based on a 15x CY25 EPS.

1HFY25 Result Review

To recap, Beshom 1HFY25's revenue increased by 2.2% YoY to RM74.4mn, backed by a strong 8.1% YoY sales growth in the multi-level-marketing (MLM) division. However, weaker sales performance in the wholesale (-2.3% YoY) and retail (-0.2% YoY) segments partially offset the MLM division's growth. The growth in MLM division was mainly due to the successful sales campaign of PB Thera series products (big-ticket item). As a result, the MLM segment achieved an EBIT of RM2.8mn, leading to an improved EBIT margin of 10.0% in 1HFY25.

Consequently, 1HFY25 net profit declined by 4.5% YoY attributed to higher sales cost of RM45.6mn (+5.7% YoY). Going forward, we expect 2HFY25 performance to improve, buoyed by higher festive spending and effective cost management.

Expectation that 2HFY25 would be Driven by Festive Spending

Moving into 3QFY25, we expect Beshom's sales to improve, driven by strong performance in both the wholesale and retail divisions. Management plans to leverage the upcoming Chinese New Year to roll out promotional campaigns. Additionally, we expect higher discretionary spending and resilient domestic spending in 2025. Overall, we anticipate the group's revenue to grow by 4.8% YoY, reaching RM158.0mn in FY25, reversing three consecutive years of negative sales growth since FY22.

Based on the past three years of historical performances during the CNY period, the group posted better QoQ results in 3QFY22 and 3QFY24, with sales growing by 7% and 11%, respectively. In contrast, 3QFY23 experienced a marginal QoQ sales decline of 3%, primarily due to weaker sales in the MLM division (-35.3% QoQ). However, both the wholesale and retail segments posted strong double-digit QoQ growth of 20.2% and 35.3%, respectively, in 3QFY23, fuelled by seasonal sales of hampers and Chinese medicated tonic during CNY festive season campaign.

Share Information

Bloomberg Code	BESHOM MK
Stock Code	7668
Listing	Main Market
Share Cap (mn)	299.8
Market Cap (RMmn)	253.3
52-wk Hi/Lo (RM)	1.11/0.775
12-mth Avg Daily Vol ('000 shrs)	76.0
Estimated Free Float (%)	47.0
Beta	0.3

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 (%)	0.0	0.0
Net profit (RMm)	12.5	19.0
Consensus	14.0	19.1
TA's / Consensus (%)	89.6	99.9
Previous Rating	Sell (Maintained)	
Consensus Target Price (RM)	0.89	

Financial Indicators

	FY25	FY26
Net Debt / Equity (x)	Net Cash	Net Cash
ROE (%)	4.0	6.0
ROA (%)	3.6	5.2
NTA/Share (RM)	1.1	1.1
Price/NTA (x)	0.8	0.8

Share Performance (%)

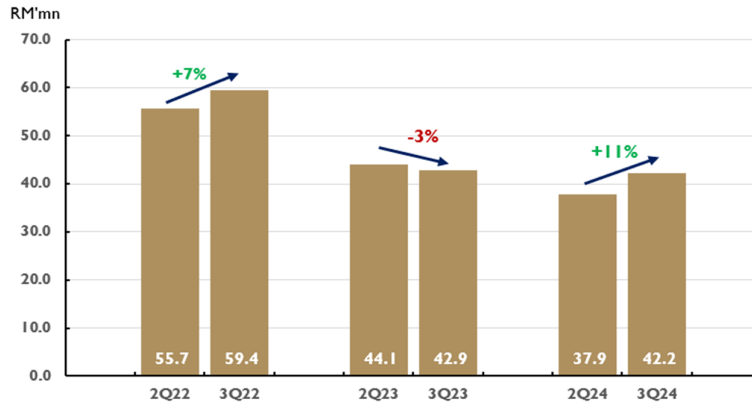
Price Change	BESHOM	FBM KLCI
1 mth	1.2	0.9
3 mth	(4.0)	(4.0)
6 mth	(14.6)	0.9
12 mth	(11.1)	10.3

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Figure I: Historical Quarterly Sales Performance during CNY



Source: Company, TA Securities

Recovery in the MLM Division

In 1HFY25, MLM segmental EBIT surged over 9-fold YoY to RM2.8mn, resulting in an EBIT margin of 10% (+8.0%-pts). The improvement was mainly due to the depletion of discounted inventory and a recovery in demand. Beshom has also regularly reviewed its marketing strategy, lowering its membership fee to RM10, launching targeted products promotions and offering additional incentives for ranking promotions to enhance members recruitment and retention.

For FY25, management aims to attract 1,000 new members per month, targeting a net increase of 12,000 new distributors to a total number of 54,700 members. Going forward, we expect the MLM division's revenue to grow by 10.3% YoY to RM57.4mn in FY25 driven by i) an increase in disposable income among Malaysia citizens, which could boost discretionary spending, ii) the expansion of product offerings to meet diverse consumer needs and iii) improved contributions from both new and existing members.

Impact

No change to our earnings projections for FY25-27F.

Valuation

We valued Beshom at an unchanged TP of **RM0.84/share**, based on 15x CY25 EPS. Maintained **Sell**.

Earnings Summary

Profit and Loss Statement

FYE Apr (RM mn)	2023	2024	2025E	2026F	2027F
Revenue	174.2	150.8	158.0	176.2	190.6
EBIT	24.0	14.2	15.8	24.5	26.6
Net finance cost	0.4	0.4	0.9	0.9	0.9
EI	(1.7)	(0.7)	0.0	0.0	0.0
PBT	24.3	14.5	16.6	25.2	27.3
Taxation	(7.5)	(3.6)	(4.0)	(6.0)	(6.5)
MI	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)
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
DPS (sen)	5.0	3.0	3.0	3.0	3.0
Book value (RM)	1.1	1.1	1.1	1.2	1.2
NTA (RM)	1.1	1.1	1.1	1.1	1.2

Ratios

FYE Apr (RM mn)	2023	2024	2025E	2026F	2027F
Valuations					
Core PER (x)	14.1	22.0	20.2	13.3	12.3
Div. yield (%)	5.9	3.6	3.6	3.6	3.6
P/BV (x)	0.8	0.8	0.8	0.7	0.7

Profitability ratios

EBITDA margin (%)	18.0	13.5	13.7	17.2	16.9
PBT margin (%)	14.9	10.1	10.5	14.3	14.3
Core net margin (%)	10.3	7.7	7.9	10.8	10.8
Core ROE (%)	5.8	3.7	4.0	6.0	6.3
Core ROA (%)	5.0	3.3	3.6	5.2	5.5

Liquidity ratios

Current ratio (x)	7.2	8.5	7.7	7.7	7.6
Quick ratio (x)	4.2	5.3	5.4	5.7	5.5

Leverage ratios

Equity/total liabilities (x)	10.2	11.7	10.4	10.1	9.7
Net debt / equity (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Growth ratios

Revenue (%)	(16.9)	(13.5)	4.8	11.6	8.2
PBT (%)	(39.8)	(40.3)	14.7	51.5	8.3
Core net profit (%)	(36.4)	(36.0)	8.7	51.7	8.4

Balance Sheet

FYE Apr (RM mn)	2023	2024	2025E	2026F	2027F
PPE	82.0	79.5	80.4	81.4	82.3
Intangible asset	0.1	0.1	0.1	0.1	0.1
Others	66.1	66.7	65.8	65.0	64.3
Non-current assets	148.2	146.3	146.3	146.5	146.7
Inventories	87.5	76.9	63.2	58.7	63.5
Trade receivables	16.3	22.8	13.2	13.6	14.7
Cash and bank balance	35.2	34.3	64.9	81.0	89.2
Others	66.0	69.2	69.2	69.2	69.2
Current assets	205.0	203.3	210.4	222.4	236.6
Total assets	353.2	349.5	356.8	368.9	383.2
LT borrowings	0.0	0.0	0.0	0.0	0.0
Others	3.1	3.6	4.0	4.3	4.6
Non-current liabilities	3.1	3.6	4.0	4.3	4.6
Trade payables	25.8	21.9	24.9	26.4	28.6
ST borrowings	0.0	0.0	0.0	0.0	0.0
Others	2.4	2.1	2.3	2.5	2.6
Current liabilities	28.3	24.0	27.3	28.9	31.2
Shareholders funds	309.7	310.1	313.6	323.7	335.3
MI	12.1	11.8	11.9	12.0	12.1
Total equity	321.8	321.9	325.6	335.7	347.4
Total E&L	353.2	349.5	356.8	368.9	383.2

Cash Flow Statement

FYE Apr (RM mn)	2023	2024	2025E	2026F	2027F
Pretax profit	24.3	14.5	16.6	25.2	27.3
Depreciation	5.5	5.5	5.8	5.8	5.7
Net interest	(0.4)	(0.4)	(0.9)	(0.9)	(0.9)
Changes in WC	(4.2)	1.1	26.5	5.5	(3.7)
Tax	(10.2)	(3.6)	(4.0)	(6.0)	(6.5)
Others	(4.0)	(3.1)	0.2	0.2	0.2
Operational cash flow	11.0	14.0	44.2	29.7	22.0
Capex	(3.3)	(3.1)	(5.0)	(5.0)	(5.0)
Interest income	0.6	0.6	1.2	1.2	1.2
Others	(4.7)	(4.6)	0.0	0.0	0.0
Investing cash flow	(7.4)	(7.1)	(3.8)	(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	(24.3)	(6.0)	(9.0)	(9.0)	(9.0)
Interest paid	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Others	(1.3)	(1.4)	(0.5)	(0.6)	(0.6)
Financial cash flow	(25.8)	(7.6)	(9.8)	(9.9)	(10.0)
Net cash flow	(22.2)	(0.7)	30.6	16.0	8.2
Beginning cash	57.4	35.2	34.3	64.9	81.0
Forex & others	0.0	(0.1)	0.0	0.0	0.0
Ending cash	35.2	34.3	64.9	81.0	89.2

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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 Thursday, December 26, 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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