

Beshom Holdings Berhad

TP: RM0.80 (+5.96%)

Outlook Remains Challenging

Last Traded: RM0.755

Hold (ESG: ★★★)

Liew Yi Jiet

Tel: +603-2167 9602

yjliew@ta.com.my

www.taonline.com.my

Review

- Beshom Holdings Bhd (Beshom)'s 9MFY25 core net profit of RM7.3mn came in below expectations, representing 58% of our full-year estimate and 56% of consensus' full-year estimate, respectively. The deviation was mainly due to higher-than-expected marketing expenses and product costs.
- No dividend was declared for the quarter under review.
- 9MFY25 revenue increased by 3.4% YoY to RM119.2mn, driven by higher turnover across the 3 divisions. However, core earnings dropped by 5.8% YoY to RM7.3mn, primarily impacted by higher product costs, an unfavourable sales mix, and increased marketing expenses in both the wholesale and retail divisions.
- **MLM.** 3QFY25 revenue dropped marginally by 3.2% YoY to RM12.9mn, mainly due to lower sales from other products, which offset higher sales from the Fashion & Beauty series range. Despite the lower turnover, quarterly EBIT rose by 14.9% YoY to RM0.9mn. Cumulatively, 9MFY25 revenue grew by 4.2% YoY to RM40.7mn, while EBIT increased more than 3-fold to RM3.6mn. The better results were primarily driven by better cost management
- **Wholesale.** For 3QFY25, EBIT dropped to RM1.7mn from RM2.7mn in the previous year. However, quarterly revenue rose by 5.5% YoY to RM18.3mn, thanks to higher sales from one of its exclusive wellness product ranges. In 9MFY25, EBIT declined by 45.4% YoY to RM4.1mn, despite stable revenue of RM46.6mn. The decline was mainly due to i) an unfavourable sales mix, ii) higher import costs, and iii) increased marketing expenses. As a result, the segmental EBIT margin fell by 7.4%-pts YoY to 8.8% in 9MFY25.
- **Retail.** In 3QFY25, revenue increased by 16.8% YoY to RM11.9mn, benefiting from early CNY sales compared to the previous year. Despite the rise in sales, quarterly EBIT fell by 10.9% YoY to RM0.5mn, primarily impacted by higher marketing and promotion expenses. For 9MFY25, revenue grew by 6.6% YoY to RM27.3mn. However, the segment reported a loss of RM0.03mn for 9MFY25, a shift from a profit of RM0.4mn in the previous year. The weaker performance was mainly driven by reduced sales of higher-margin products and increased marketing costs

Impact

- We revised our selling and distribution expenses upwards by 29.7%/27.3%/19.5% for FY25/26/27F, respectively after factoring in higher marketing expenses and import costs. As a result, we revised our FY25/26/27F core earnings to RM9.8mn/15.0mn/16.5mn from RM12.5mn/19.0mn/20.5mn, respectively.

Share Information

Bloomberg Code	BESHOM MK
Stock Code	7668
Listing	Main Market
Share Cap (mn)	299.7
Market Cap (RMmn)	226.3
52-wk Hi/Lo (RM)	1.11/0.715
12-mth Avg Daily Vol ('000 shrs)	69.4
Estimated Free Float (%)	46.5
Beta	0.3
Major Shareholders (%)	
Tan Kai Hee Family Holdings Sdn bhd	11.2%
DAFITAN SDN BHD	10.8%
Akintan Sdn Bhd	9.1%
Excellent Communication Sdn Bhd	5.4%

Forecast Revision

	FY25	FY26
Forecast Revision (%)	(21.9)	(20.9)
Net profit (RMm)	9.8	15.0
Consensus	13.0	19.0
TA's / Consensus (%)	75.3	79.0
Previous Rating	Sell (Upgraded)	
Consensus Target Price (RM)	0.84	

Financial Indicators

	FY25	FY26
Net Debt / Equity (x)	Net Cash	Net Cash
ROE (%)	3.2	4.8
ROA (%)	2.8	4.2
NTA/Share (RM)	1.1	1.1
Price/NTA (x)	0.7	0.7

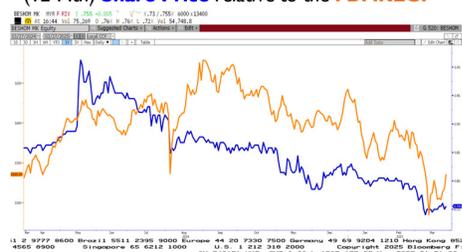
Scorecard

	% of FY	
vs TA	58	Below
vs Consensus	56	Below

Share Performance (%)

Price Change	BESHOM	FBM KLCI
1 mth	(4.4)	(2.5)
3 mth	(9.0)	(5.7)
6 mth	(15.6)	(7.5)
12 mth	(15.2)	0.3

(12-Mth) Share Price relative to the **FBMKLCI**



Source: Bloomberg

Outlook

- Due to rising living costs and global economic uncertainties, consumers are becoming more cautious with their spending, particularly on non-essential items. As such, we believe the outlook will remain challenging, primarily due to consumers' hesitancy in purchasing big-ticket items. However, the group will continue to assess and realign its business strategy to mitigate these risks.

Valuation

- After rolling forward our base year to CY26, we adjusted our TP to **RM0.80/share** (previously: RM0.84), pegged on a P/E multiple of 15x EPS, following earnings adjustments. Due to the recent weakness in the share price, we have upgraded the stock to **Hold** from **Sell**. YTD, the share price has dropped by 10.1%.

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	18.2	25.3	27.4
EBIT	24.0	14.2	12.2	19.2	21.3
PBT	24.3	14.5	13.0	19.9	21.9
Net profit	16.3	10.9	9.8	15.0	16.5
Core net profit	18.0	11.5	9.8	15.0	16.5
Core EPS (sen)	6.0	3.8	3.3	5.0	5.5
Core PER (x)	12.6	19.6	23.2	15.1	13.7
DPS (sen)	5.0	3.0	3.0	3.0	3.0
Div. yield (%)	6.6	4.0	4.0	4.0	4.0

Table 2: 3QFY25 Results Analysis

FYE 30 Apr	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	42.2	41.3	44.5	7.8	5.5	115.2	119.2	3.4
-MLM	13.3	15.0	12.9	(13.9)	(3.2)	39.1	40.7	4.2
-Wholesale	17.3	17.0	18.3	7.7	5.5	46.3	46.6	0.6
-Retail	10.2	7.8	11.9	51.8	16.8	25.7	27.3	6.6
-Others	1.3	1.5	1.4	(5.5)	4.3	4.2	4.5	7.7
Cost of sales	(25.3)	(26.1)	(28.2)	(8.2)	(11.7)	(68.5)	(73.9)	(7.9)
Gross profit	16.9	15.2	16.2	6.9	(3.9)	46.8	45.3	(3.1)
EBIT	4.3	3.4	3.0	(11.2)	(29.0)	10.8	9.1	(16.0)
-MLM	0.7	1.4	0.9	(40.4)	14.9	1.1	3.6	>100
-Wholesale	2.7	2.1	1.7	(18.3)	(37.7)	7.5	4.1	(45.4)
-Retail	0.6	(0.3)	0.5	nm	(10.9)	0.4	(0.0)	nm
-Others	0.2	0.2	(0.0)	nm	nm	1.8	1.4	(23.3)
Adj. EBIT	4.3	3.7	3.0	(18.0)	(29.0)	10.8	9.8	(8.9)
Net interest	0.1	(0.0)	0.0	nm	(89.4)	0.3	0.1	(83.8)
Extraordinary Items	-	0.3	-	nm	-	(0.1)	0.7	nm
PBT	4.3	3.4	3.0	(11.3)	(31.4)	11.1	9.0	(18.4)
Adj. PBT	4.3	3.6	3.0	(18.2)	(31.4)	11.0	9.7	(11.5)
Taxation	(1.3)	(1.1)	(0.9)	14.3	26.5	(3.2)	(2.7)	15.0
Minority Interest	(0.0)	0.1	(0.0)	nm	41.9	(0.1)	0.2	nm
Net Profit	3.0	2.4	2.0	(16.1)	(33.3)	7.8	6.6	(15.7)
Adj. Net Profit	3.0	2.7	2.0	(25.0)	(33.3)	7.7	7.3	(5.8)
Basic EPS (sen)	1.0	0.8	0.7	(16.1)	(33.3)	7.7	2.2	(71.6)
DPS (sen)	-	1.5	-	nm	-	1.5	1.5	-
				%-points	%-points			%-points
EBIT Margin (%)	10.1	8.3	6.8	(1.4)	(3.3)	9.4	7.6	(1.8)
PBT Margin (%)	10.3	8.1	6.7	(1.4)	(3.6)	9.6	7.6	(2.0)
Net Margin (%)	7.2	5.8	4.5	(1.3)	(2.6)	6.8	5.5	(1.2)
Adj. Net Margin (%)	7.2	6.5	4.5	(2.0)	(2.6)	6.7	6.1	(0.6)
Tax Rate (%)	29.6	32.8	31.7	(1.1)	2.1	28.6	29.8	1.2

Table 3: 3QFY25 Segmental Analysis

FYE 30 Apr	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	42.2	41.3	44.5	7.8%	5.5%	115.2	119.2	3.4%
Multi-Level Marketing	13.3	15.0	12.9	-13.9%	-3.2%	39.1	40.7	4.2%
Wholesale	17.3	17.0	18.3	7.7%	5.5%	46.3	46.6	0.6%
Retail	10.2	7.8	11.9	51.8%	16.8%	25.7	27.3	6.6%
Others	1.3	1.5	1.4	-5.5%	4.3%	4.2	4.5	7.7%
Segment EBIT	4.3	3.4	3.0	-11.2%	-29.0%	10.8	9.1	-16.0%
Multi-Level Marketing	0.7	1.4	0.9	-40.4%	14.9%	1.1	3.6	>100
Wholesale	2.7	2.1	1.7	-18.3%	-37.7%	7.5	4.1	-45.4%
Retail	0.6	(0.3)	0.5	nm	-10.9%	0.4	(0.0)	nm
Others	0.2	0.2	(0.0)	nm	nm	1.8	1.4	-23.3%
				%-points	%-points			%-points
Segment EBIT Margin	10.1	8.3	6.8	(1.4)	(3.3)	9.4	7.6	(1.8)
Multi-Level Marketing	5.6	9.6	6.6	(3.0)	1.0	2.7	8.9	6.2
Wholesale	15.6	12.2	9.2	(2.9)	(6.4)	16.3	8.8	(7.4)
Retail	5.7	(3.8)	4.3	8.1	(1.3)	1.7	(0.1)	(1.8)

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 Friday, March 28, 2025, the analyst, Liew Yi Jiet, who prepared this report, has interest in the following securities covered in this report:
(a) nil

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