

Malaysia
ADD (no change)

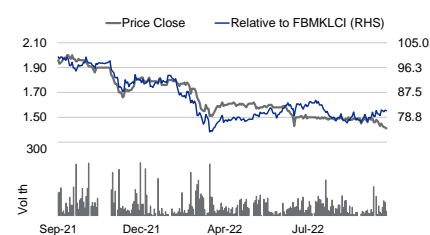
Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	RM1.41
Target price:	RM1.60
Previous target:	RM1.93
Up/downside:	13.5%
CGS-CIMB / Consensus:	-13.5%
Reuters:	BESH.KL
Bloomberg:	BESHOM MK
Market cap:	US\$91.19m
	RM423.1m
Average daily turnover:	US\$0.01m
	RM0.05m
Current shares o/s:	300.1m
Free float:	46.0%

*Source: Bloomberg

Key changes in this note

- FY23-25F EPS forecasts decreased 16.0-19.7% on reduced revenue and GP margin assumptions.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.4	-5.4	-28.1
Relative (%)	1.5	-1.7	-18.4

Major shareholders

	% held
Tan Kai Hee	10.7
Akintan Sdn Bhd	8.1
Excellant Communication Sdn Bhd	5.4

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Beshom Holdings Bhd

Ramping up its MLM marketing efforts

- 1QFY4/23 core net profit of RM5.4m (-21.6% yoy) was below our expectations due to weaker-than-expected results from its MLM division.
- Nonetheless, we expect Beshom to post better results in the coming quarters, driven by aggressive recruitment and marketing activities.
- Reiterate Add with a lower TP of RM1.60 (11.1x CY23F P/E).

1QFY4/23 core net profit of RM5.4m was below our expectations

Beshom Holdings Bhd's (Beshom) 1QFY23 revenue fell marginally by 1.8% yoy to RM48.3m, primarily due to lower revenue from its MLM division (-28.6% yoy) as a result of slower-than-expected recovery in member recruitment and renewal. However, this was mitigated by the increase in revenue at its wholesale segment (+57.3% yoy; promotional sales campaign for its best-selling Chinese medicated tonic range of products and higher sales to duty-free shops post borders reopening and resumption of tourism activities), retail (19.4% yoy; higher footfall) and others (+12.3% yoy). Beshom's 1QFY23 GP margin also declined to 41.7% (-0.6% yoy) due to higher product and logistic costs as well as the weakening of the RM. This led to its 1Q23 core net profit falling 21.6% yoy to RM5.4m, below expectations at 11.7% of our FY23F estimate and 12.2% of Bloomberg consensus.

Signs of recovery on a qoq basis for wholesale and retail

Post the full reopening of the Malaysian economy and borders from 1 Apr 2022 onwards, Beshom's 1QFY23 revenue improved 6.6% qoq, driven by higher wholesale revenue (+24.0% qoq) from its pre-price increase "last buy" sales promotion for selected Chinese medicated tonics and cooking wines. While 1Q23 revenue qoq growth for its retail segment remained flat, operating profit margin expanded by 1.3% pts qoq to 6.2%, owing to higher sales contribution from its higher-margin house brands (i.e. immunity-boosting products). We expect the recovery momentum to continue in the coming quarters.

Expecting sequentially better quarters ahead, particularly for MLM

We now expect Beshom's MLM segment, its key earnings driver, to post stronger results in the coming quarters. This is premised on i) resumption of aggressive recruitment activities through physical events and attractive incentive schemes (typically falls in Sep-Nov), ii) margin expansion on better product mix, iii) its grand 30th MLM anniversary celebration and attractive rewards driving members' spending (upcoming trip to Istanbul, Turkey), and iv) upcoming major festive sales, i.e. Christmas and Chinese New Year.

Reiterate Add with a lower TP of RM1.60

We cut our FY23-25F EPS by 16.0-19.7% to reflect lower revenue and margin assumptions due to rising input costs. In tandem with our EPS cuts, our TP drops to RM1.60 (11.1x CY23F P/E, 1.5 s.d. below its 5-year mean P/E of 19.2x). We like Beshom for its appealing dividend yield of 8-9% (FY23-25F) and attractive valuation (currently trading at 9.8x CY23F P/E, a discount of 36% to the MLM sector's 5-year mean P/E of 15.4x). A strong recovery in MLM membership is a key re-rating catalyst. Downside risks: weaker-than-expected recovery in agent count and slowdown in direct sales.

Financial Summary	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
Revenue (RMm)	271.4	209.6	273.6	301.6	306.0
Operating EBITDA (RMm)	58.30	44.59	56.57	66.41	67.59
Net Profit (RMm)	38.82	28.57	38.56	45.52	46.23
Core EPS (RM)	0.13	0.09	0.13	0.15	0.15
Core EPS Growth	13.3%	(29.0%)	39.7%	18.1%	1.6%
FD Core P/E (x)	10.88	15.34	10.97	9.30	9.15
DPS (RM)	0.09	0.08	0.12	0.13	0.13
Dividend Yield	6.38%	5.67%	8.51%	9.22%	9.22%
EV/EBITDA (x)	6.50	8.47	6.70	5.64	5.53
P/FCFE (x)	9.02	14.47	12.45	7.35	7.79
Net Gearing	(16.8%)	(17.4%)	(13.7%)	(14.9%)	(15.0%)
P/BV (x)	1.35	1.33	1.32	1.30	1.27
ROE	12.7%	8.8%	12.1%	14.1%	14.0%
% Change In Core EPS Estimates			(16.0%)	(17.6%)	(19.7%)
CGS-CIMB/Consensus EPS (x)			0.43	0.43	0.27

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results Comparison

FYE Apr (RM m)	1QFY23	1QFY22	yoy % chg	qoq % chg	4QFY22	Prev FY23F	Comments
Revenue	48.3	49.1	(1.8)	6.6	45.3	273.6	Group revenue lower yoy due to lower MLM division revenue (-28.6% yoy), which partially mitigated by the increase in retail revenue (+19.4% yoy), wholesale (+57.3% yoy) and others (+12.3%) revenue in 1QFY23.
Operating costs	-39.1	-38.4	1.7	8.7	-36.0	-217.1	
EBITDA	9.2	10.7	(14.3)	(1.4)	9.3	56.6	
<i>EBITDA margin (%)</i>	19.0	21.8	(2.8)	(1.5)	20.5	20.7	Lower GP margin of 41.7% in 1QFY23 (1QFY22: 42.3%) due mainly to higher product and logistic costs and the weakening of the Malaysian Ringgit
Depn & amort.	-1.4	-1.5	(10.1)	(1.6)	-1.4	-6.1	
EBIT	7.8	9.1	(15.0)	(1.4)	7.9	50.4	
Interest expense	0.0	-0.1	(23.7)	4.7	0.0	-0.1	
Interest & invt inc	0.1	0.2	(11.9)	18.4	0.1	1.0	
Associates' contrib	0.0	0.0	n.m.	(38.2)	-0.1	0.0	
Exceptionals	1.7	0.1	1,047.2	>100	1.5	0.0	Included one-off gain from disposal of vintage tea amounting to RM1.7m and provision for write off and net forex gain
Pretax profit	9.5	9.4	1.0	1.0	9.4	51.4	
Tax	-2.4	-2.3	1.8	(26.8)	-3.3	-12.9	
Tax rate (%)	25.2	25.0	0.2	(9.5)	34.7	25.0	Higher tax rate due to certain expenses which were not deductible for tax purpose and losses of certain subsidiary companies which could not be set against profits of certain subsidiaries
Minority interests	0.1	0.0	60.9	(25.3)	0.1	0.0	
Net profit	7.0	7.0	0.4	16.4	6.0	38.6	
Core net profit	5.4	6.9	(21.6)	18.2	4.5	38.6	Below our expectations at 11.7% of our FY23 forecasts
<i>Core net margin %</i>	11.1	14.0	(2.8)	1.1	10.0	14.1	
EPS (sen)	2.3	2.3	0.4	16.4	2.0	12.8	
Core EPS (sen)	1.8	2.3	(21.6)	18.2	1.5	12.8	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Earnings revision

RM m	FY21	FY22F			FY23F			FY24F		
		Old	New	%chg	Old	New	%chg	Old	New	%chg
Revenue	209.6	326.1	273.6	-16.1%	363.6	301.6	-17.0%	371.1	306.0	-17.5%
EBITDA	44.6	66.3	56.6	-14.7%	78.7	66.4	-15.7%	80.6	67.6	-16.2%
Core pretax profit	38.8	61.2	51.4	-16.0%	73.6	60.7	-17.6%	76.5	61.6	-19.4%
Core net profit	27.6	45.9	38.6	-16.0%	55.2	45.5	-17.6%	57.6	46.2	-19.7%

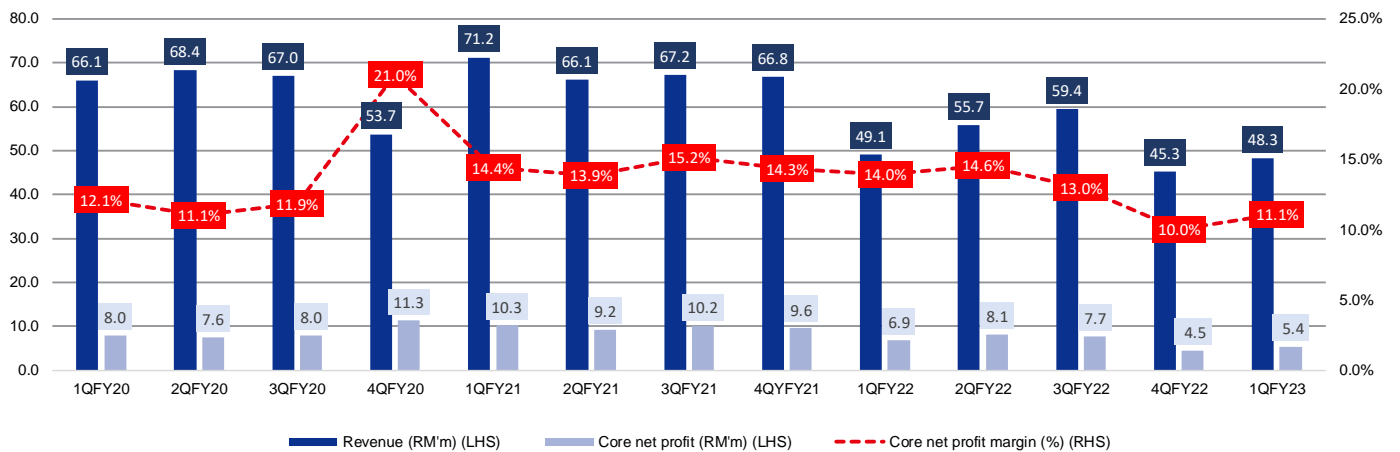
SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 3: 1QFY23 segmental breakdown

Revenue (RM'm)	1QFY23	1QFY22	yoy % chg	4QFY22	qoq % chg
Multi-Level Marketing	21.5	30.1	-28.6%	21.8	-1.4%
Wholesale	17.0	10.8	57.3%	13.7	24.0%
Retail	8.7	7.3	19.4%	8.7	-0.4%
Others	1.1	1.0	12.3%	1.0	8.0%
EBIT (RM'm)	1QFY23	1QFY22	yoy % chg	4QFY22	qoq % chg
Multi-Level Marketing	2.7	6.2	-56.4%	3.5	-23.0%
Wholesale	5.7	1.4	306.0%	4.8	18.0%
Retail	0.5	0.4	39.4%	0.4	25.8%
Others	0.6	1.1	-42.7%	0.9	-29.2%
Operating profit margin (%)	1QFY23	1QFY22	yoy % pts chg	4QFY22	qoq % pts chg
Multi-Level Marketing	12.6%	20.6%	-8.0%	16.1%	-3.5%
Wholesale	33.3%	12.9%	20.4%	35.0%	-1.7%
Retail	6.2%	5.3%	0.9%	4.9%	1.3%
Others	57.0%	111.7%	-54.8%	86.9%	-29.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Beshom's quarterly results trend



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Beshom's MLM division overseas trip incentive scheme (campaign period: 1 July 2022 – 30 Nov 2022)

Majestic Istanbul
TURKEY
6D 4N
Your timeless journey to the city of dreams begins today!

Kempen Insentif Percutian Istanbul 2023
1 July 2022 - 30 Nov 2022
Kumpulkan mata insentif bagi kumpulan peribadi sebanyak **19,800 mata** dan jualan peribadi sebanyak **2,500BY** dalam tempoh 5 bulan untuk melayakkan diri!

#IstanbulSHOMDalang

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Beshom's MLM 30th Grand Anniversary Bonanza features several attractive prizes for members (campaign period: 1 Sept 2022 – 31 Oct 2022)

BONANZA SHOM 30th ANNIVERSARY
1992 - 2022
SHOP & WIN!
LUCKY DRAW CONTEST
1st September - 31st October 2022

GRAND PRIZE Proton X70 x1
AiryVentz x5
Grand Hyatt KL x1
3D2N The St. Regis x1
Genting Skyworld x2


OVER 10 LUXURY PRIZES WORTH UP TO RM140,000 TO BE WON!
*Results will be announced LIVE on 12th November 2022 at the 30th Anniversary Celebration

HOW TO PARTICIPATE

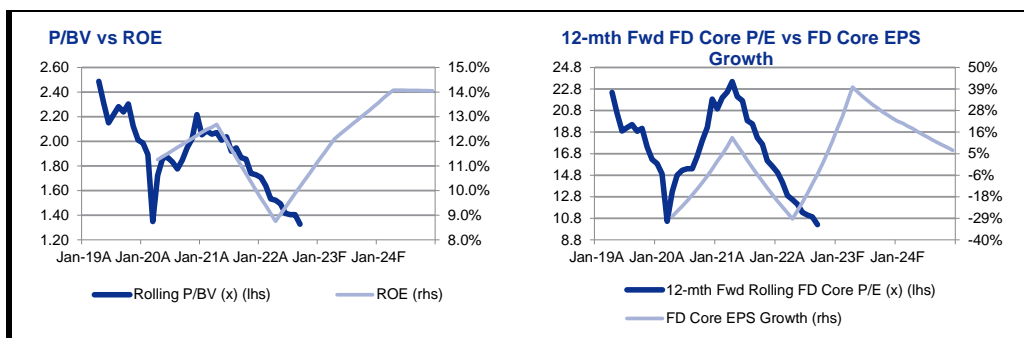
Every RM200 purchase per invoice	Every RM500 purchase per invoice	Every RM1,000 purchase per invoice	Every RM3,000 purchase per invoice	Every LG PurifCare Water Purifier 1 unit (includes 1 month)
1 ENTRY	4 ENTRIES	10 ENTRIES	35 ENTRIES	1 ENTRY

Terms & Conditions apply:
1. This contest is valid from 1st Sept - 31st Oct 2022 only. While stocks last.
2. All products must be used in the same day made.
3. Promotional items are NOT interchangeable or refundable.
4. The company reserves the right to amend, extend or cancel this contest without prior notice.
5. The prizes are not franchise, exchangeable for cash or any other items.
6. Once awarded the right to substitute the prize for other items without prior notice, at its absolute discretion.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

		Refinitiv ESG Scores					
ESG in a nutshell		B	A+	B	C-	B+	A-
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Governance Pillar Score
<p>In 2009, Beshom launched Hai-O Foundation to enhance its corporate social responsibility, focusing on reaching out to local communities, especially underprivileged groups, by championing educational and cultural causes. The foundation has since 2010 organised fundraising campaigns in aid of selected schools. Beshom also established the Hai-O Arts and Culture Grants to encourage the participation of all races in support of Malaysia’s arts and culture. Beshom also spearheaded programmes such as “21st Century Smart Classrooms Education”, which provided contemporary education tools and equipment to selected schools, and “Clothes of Confidence”, supplying school uniforms to underserved communities. In this respect, we believe Beshom has done relatively well in the social (S) pillar. We are also encouraged by its environmentally-friendly initiatives and corporate governance measures as highlighted below. That said, further improvements could be made to strengthen its environment (E) and governance (G) aspects, which could re-rate the stock from an ESG standpoint.</p>							
<p>Keep your eye on</p> <p>As disclosed in its FY21 annual report, only two out of nine (22%) Beshom directors are female. This is fewer than the Malaysian Code of Corporate Governance’s (MCCG) recommendation of at least 30% women directors. However, we take comfort from the fact that it had a higher proportion of female representation in its management team (64%) and MLM distributorship (76%) as at end-FY21.</p>	<p>Implications</p> <p>We view the board composition negatively. However, Beshom aims to make the necessary efforts to appoint additional female directors in the near future to close the gap. Meanwhile, we are positive on the better gender diversity at its management level and in its MLM membership.</p>						
<p>ESG highlights</p> <p>As at end-FY21, Beshom had six independent directors out of its total nine board members (67%). This exceeded the Main Market Listing Requirement of at least one-third of the board comprising independent directors and the MCCG practice of having independent directors account for at least half the board.</p> <p>Note that Beshom has not been included in the FTSE4Good Bursa Malaysia Index.</p>	<p>Implications</p> <p>We believe Beshom’s overall ESG performance is decent, especially in its governance (G) and social (S) aspects, given its high composition of independent directors and its long-term track record of substantial contribution to community development/wellbeing since the establishment of its corporate social responsibility arm, Hai-O Foundation, in 2009 (e.g. organising charity campaigns to raise funds for selected schools since 2010).</p>						
<p>Trends</p> <p>Beshom has initiated various environmentally-friendly measures over the past years, such as launching its “Sweetality Flexi Pack” green packaging, which enable consumers to reuse their old bottles, in 2021; “LED lighting systems” project (since 2017) to replace the lighting at both its buildings and retail outlets to improve energy efficiency; and launch of “e-membership platform” in 2017 to reduce paper waste materials.</p>	<p>Implications</p> <p>We are positive on the company’s efforts for environmental sustainability. As of FY21, the group recorded electricity savings of 49,285kWh from LED lighting systems, with 580 LED lights installed during the year. As of 30 Apr 2021, 10 out of the group’s total 55 retail outlets were fully fitted with LED lighting systems. In FY21, 99.8% of its new members joined via its e-membership platform, resulting in 10% savings in the number of A4 paper reams ordered in FY21 vs. FY20. Nonetheless, we have not ascribed an ESG premium to Beshom’s valuations at this juncture as we see room for further improvements in its packaging materials as consumer-packaged goods constitute a large portion of its sales.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

Profit & Loss

(RMm)	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
Total Net Revenues	271.4	209.6	273.6	301.6	306.0
Gross Profit	105.2	86.3	105.5	117.6	119.3
Operating EBITDA	58.3	44.6	56.6	66.4	67.6
Depreciation And Amortisation	(6.3)	(6.0)	(6.1)	(6.5)	(6.8)
Operating EBIT	52.0	38.5	50.4	59.9	60.8
Financial Income/(Expense)	0.4	0.4	1.0	0.7	0.8
Pretax Income/(Loss) from Assoc.	(0.0)	(0.1)	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	52.4	38.8	51.4	60.7	61.6
Exceptional Items	(0.1)	1.3	0.0	0.0	0.0
Pre-tax Profit	52.3	40.1	51.4	60.7	61.6
Taxation	(13.4)	(10.9)	(12.9)	(15.2)	(15.4)
Exceptional Income - post-tax					
Profit After Tax	38.9	29.2	38.6	45.5	46.2
Minority Interests	(0.1)	(0.7)	(0.0)	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	38.8	28.6	38.6	45.5	46.2
Recurring Net Profit	38.9	27.6	38.6	45.5	46.2
Fully Diluted Recurring Net Profit	38.9	27.6	38.6	45.5	46.2

Cash Flow

(RMm)	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
EBITDA	58.30	44.59	56.57	66.41	67.59
Cash Flow from Invt. & Assoc.					
Change In Working Capital	2.48	-2.72	-3.72	7.57	1.32
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	16.91	1.84	1.00	1.00	2.00
Other Operating Cashflow					
Net Interest (Paid)/Received	0.43	-0.22	0.98	0.75	0.84
Tax Paid	-9.22	-14.28	-12.85	-15.17	-15.41
Cashflow From Operations	68.89	29.21	41.98	60.55	56.34
Capex	-1.80	-1.14	-8.00	-3.00	-2.00
Disposals Of FAs/subsidiaries	1.19	2.91	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	-19.50	0.00	0.00	0.00	0.00
Other Investing Cashflow					
Cash Flow From Investing	-20.11	1.77	-8.00	-3.00	-2.00
Debt Raised/(repaid)	-1.87	-1.73	0.00	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased	-2.53	-0.19	0.00	0.00	0.00
Dividends Paid	-31.98	-24.21	-36.01	-39.01	-39.14
Preferred Dividends					
Other Financing Cashflow	-0.69	0.00	0.00	0.00	0.00
Cash Flow From Financing	-37.07	-26.12	-36.01	-39.01	-39.14
Total Cash Generated	11.71	4.86	-2.03	18.54	15.19
Free Cashflow To Equity	46.91	29.25	33.98	57.55	54.34
Free Cashflow To Firm	49.04	31.19	34.03	57.60	54.39

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
Total Cash And Equivalents	54.3	57.4	44.4	49.3	50.8
Total Debtors	21.7	21.8	21.0	22.3	21.8
Inventories	89.3	89.3	80.6	83.2	84.4
Total Other Current Assets	58.9	59.9	72.7	74.0	82.2
Total Current Assets	224.1	228.5	218.7	228.7	239.1
Fixed Assets	84.6	81.4	81.7	81.8	81.5
Total Investments	44.2	44.1	44.6	44.7	44.8
Intangible Assets	0.1	0.1	0.1	0.1	0.1
Total Other Non-Current Assets	17.4	16.8	22.6	22.6	21.1
Total Non-current Assets	146.2	142.3	149.0	149.2	147.5
Short-term Debt	0.0	0.0	0.5	0.5	0.5
Current Portion of Long-Term Debt					
Total Creditors	37.0	33.3	39.2	42.8	43.5
Other Current Liabilities	7.0	5.3	5.3	5.3	5.3
Total Current Liabilities	44.0	38.6	45.0	48.6	49.3
Total Long-term Debt	0.0	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2.6	2.3	2.3	2.3	2.3
Total Non-current Liabilities	2.6	2.3	2.3	2.3	2.3
Total Provisions	0.3	0.4	0.4	0.4	0.4
Total Liabilities	46.9	41.3	47.6	51.3	52.0
Shareholders' Equity	313.1	317.5	320.1	326.6	333.7
Minority Interests	10.3	11.9	0.0	0.0	1.0
Total Equity	323.4	329.4	320.1	326.6	334.7

Key Ratios

	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
Revenue Growth	6.4%	(22.8%)	30.6%	10.2%	1.5%
Operating EBITDA Growth	17.2%	(23.5%)	26.9%	17.4%	1.8%
Operating EBITDA Margin	21.5%	21.3%	20.7%	22.0%	22.1%
Net Cash Per Share (RM)	0.18	0.19	0.15	0.16	0.17
BVPS (RM)	1.04	1.06	1.07	1.09	1.11
Gross Interest Cover	197	179	1,009	1,199	1,216
Effective Tax Rate	25.5%	27.2%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	68.3%	88.2%	93.4%	85.7%	84.7%
Accounts Receivables Days	30.32	37.89	28.56	26.27	26.31
Inventory Days	200.5	264.6	184.5	162.9	163.8
Accounts Payables Days	89.1	104.2	78.7	81.6	84.4
ROIC (%)	24.6%	16.9%	21.9%	25.6%	25.8%
ROCE (%)	16.6%	12.0%	15.8%	18.7%	18.6%
Return On Average Assets	10.5%	7.4%	10.2%	12.0%	11.9%

Key Drivers

	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
SG&A (% of revenue)	10.0%	12.0%	11.5%	11.5%	11.5%
MLM segment yoy revenue growth	0.1	(0.2)	0.2	0.1	0.0
MLM segment online sales growth	0.6	0.1	0.2	0.1	-
Whole segment yoy revenue growth	0.0	0.0	0.1	0.0	0.0
Retail segment yoy revenue growth	(0.0)	(0.0)	0.1	0.1	0.0
MLM member assumption ('000)	890.0	770.0	1,000.0	1,200.0	1,100.0
MLM member yoy growth	(0.2)	(0.1)	0.3	0.2	(0.1)
Revenue per member	1,937.6	1,791.7	1,683.1	1,598.9	1,761.7
Revenue per member yoy growth	0.4	(0.1)	(0.1)	(0.0)	0.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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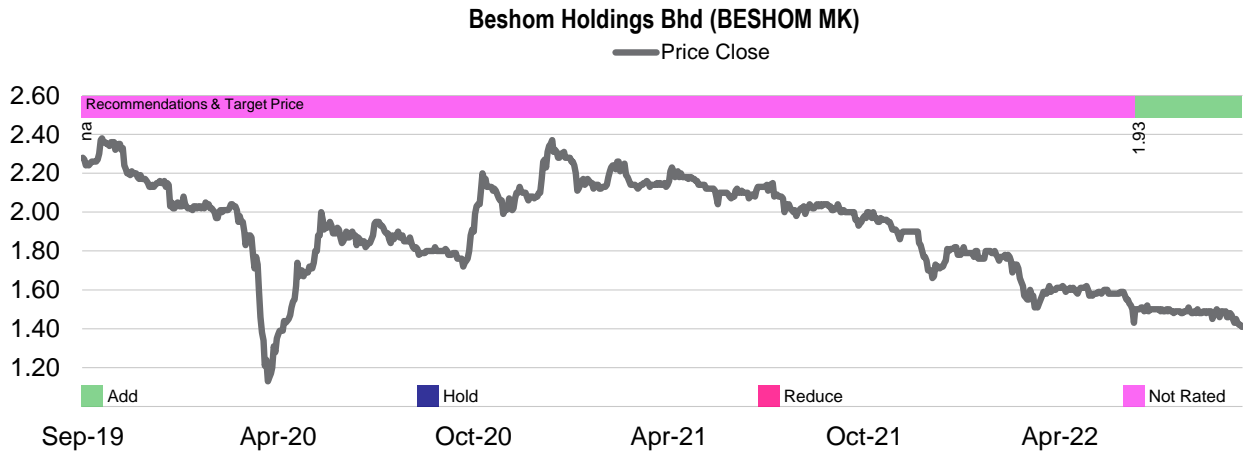
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643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



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Add The stock's total return is expected to exceed 10% over the next 12 months.

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Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.