

Malaysia
HOLD (no change)

Consensus ratings*: Buy 0 Hold 1 Sell 1

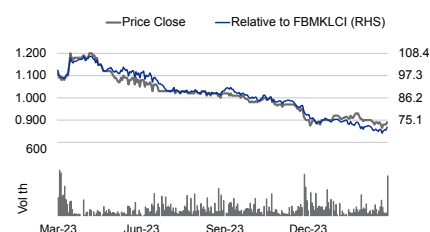
Current price:	RM0.89
Target price:	RM0.93
Previous target:	RM0.99
Up/downside:	4.5%
CGSI / Consensus:	N/A

Reuters:	BESH.KL
Bloomberg:	BESHOM MK
Market cap:	US\$55.97m
	RM267.0m
Average daily turnover:	US\$0.01m
	RM0.06m
Current shares o/s:	300.1m
Free float:	46.0%

*Source: Bloomberg

Key changes in this note

- We revise our FY4/24-26F core EPS estimates downwards by 13.2-35.8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.7	-1.7	-22.6
Relative (%)	0.1	-7	-32.2

Major shareholders	% held
The Estate of the late Tan Kai Hee	10.8
Akintan Sdn Bhd	8.5
Excellant Communication Sdn Bhd	5.4

Analyst(s)

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Beshom Holdings Bhd

Weak consumption impacts earnings

- 9MFY4/24F core net profit of RM7.7m was below expectations, at 46.5% of our FY4/24F estimate, mainly due to weaker MLM segment performance.
- We cut our FY24-26F core EPS by 13.2-35.8% on lower demand for Beshom's largely discretionary product offerings amid softer consumer spending.
- We reiterate our Hold recommendation, with a lower TP of RM0.93 (from RM0.99), based on 16x CY25F P/E (0.5 s.d. below its historical mean).

9MFY4/24F results below expectations on MLM weakness

Beshom Holdings' 9MFY4/24F core net profit came in at RM7.7m, below expectations at 46.5% of our FY4/24F estimate and 64.2% of the Bloomberg consensus'. The weakness was largely on the back of relatively softer private consumption growth in 2023 (Fig 3). The biggest impact was seen in the MLM segment, which posted a 9MFY4/24 revenue decline of 29.4% yoy to RM39.1m. The group also saw its EBITDA margins contract 2.3% pts yoy in 9MFY4/24 due to the revision in minimum wages and higher supply chain costs.

Downward earnings revisions on weaker consumer spending

Beshom's largely discretionary product offerings across its key business segments (MLM, Wholesale, Retail) leaves it exposed to inflationary pressures and the overall softer consumer spending environment, in our view. CGSI Research's Economics team estimates 2024F private consumption to grow at 6.5% yoy (2023: 6.8%; 2022: 14.9%). We expect Beshom's operating environment to remain challenging in the near-to-medium term amid: 1) softer consumer spending, and 2) increased competition from new MLM players. As such, we cut our FY4/24-26F core EPS estimates by 13.2-35.8% (Fig 1) to reflect this.

Government stimulus measures may offer some respite

On a positive note, we believe government stimulus measures such as: 1) cash handouts (e.g. further Rahmah cash aid; one-off bonus to civil servants and pensioners), and 2) the introduction of EPF Account 3 in Apr 2024, which is expected to allow for additional withdrawal flexibility, will provide a boost to private consumption in 2H2024F and 2025F. We believe such stimulus measures will largely target the lower and middle income B40 and M40 groups that make up the bulk of Beshom's customer base, providing some support to the company's earnings in FY4/25-26F.

Reiterate Hold, with a lower TP of RM0.93

Our revised TP of RM0.93 is based on 16x CY25F P/E (0.5 s.d. below its historical mean). We believe this accurately reflects the overall tougher operating conditions faced by the company, specifically: 1) the weaker consumer spending environment, and 2) stiffer competition in its MLM segment. Key upside risks: stronger-than-expected stimulus policies targeting the B40 and M40 income groups. Key downside risks: weaker-than-expected consumer spending, higher-than-expected input costs, and tougher-than-expected competition in the MLM segment.

Financial Summary

	Apr-22A	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Revenue (RMm)	209.6	174.2	154.8	164.8	176.6
Operating EBITDA (RMm)	43.70	27.28	21.38	25.68	30.63
Net Profit (RMm)	25.78	14.03	10.63	14.80	18.69
Core EPS (RM)	0.087	0.047	0.035	0.049	0.062
Core EPS Growth	(35.5%)	(46.5%)	(24.2%)	39.2%	26.3%
FD Core P/E (x)	10.18	19.04	25.12	18.05	14.29
DPS (RM)	0.080	0.050	0.030	0.040	0.045
Dividend Yield	8.99%	5.62%	3.37%	4.49%	5.06%
EV/EBITDA (x)	4.97	8.95	11.10	9.05	7.34
P/FCFE (x)	11.11	NA	15.02	16.81	13.24
Net Gearing	(17.4%)	(10.9%)	(13.1%)	(14.5%)	(16.6%)
P/BV (x)	0.84	0.86	0.86	0.85	0.83
ROE	8.19%	4.48%	3.43%	4.74%	5.89%
% Change In Core EPS Estimates			(35.8%)	(26.2%)	
EPS/Consensus EPS (x)			0.89	0.82	0.93

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

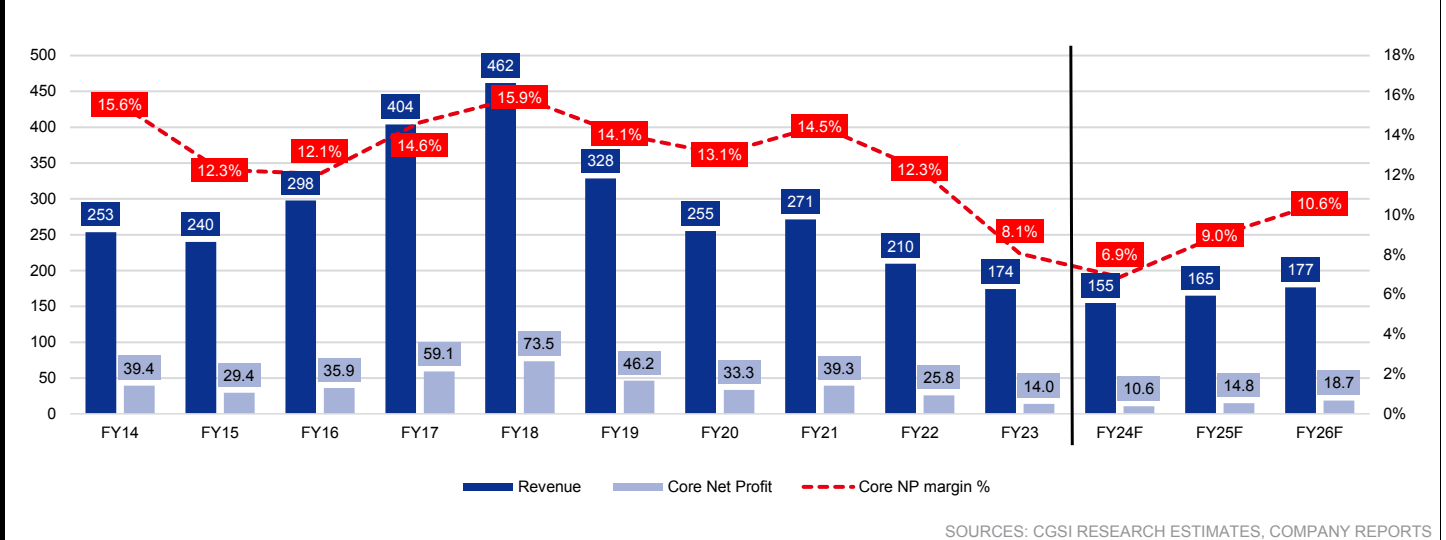
Weak consumption impacts earnings

Figure 1: We revise our FY4/24-26F earnings estimates downwards on softer consumer spending and increased MLM competition

RM m	FY4/24F			FY4/25F			FY4/26F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	172.4	154.8	-10.3%	185.7	164.8	-11.2%	197.2	176.6	-10.4%
EBITDA	28.9	21.4	-26.0%	32.8	25.7	-21.8%	34.5	30.6	-11.2%
Core PBT	24.5	16.5	-32.6%	29.3	22.2	-24.3%	31.2	27.4	-12.2%
Core Net Profit	16.6	10.6	-35.8%	20.1	14.8	-26.2%	21.5	18.7	-13.2%
Core EPS (sen)	5.5	3.5	-35.8%	6.7	4.9	-26.2%	7.2	6.2	-13.2%

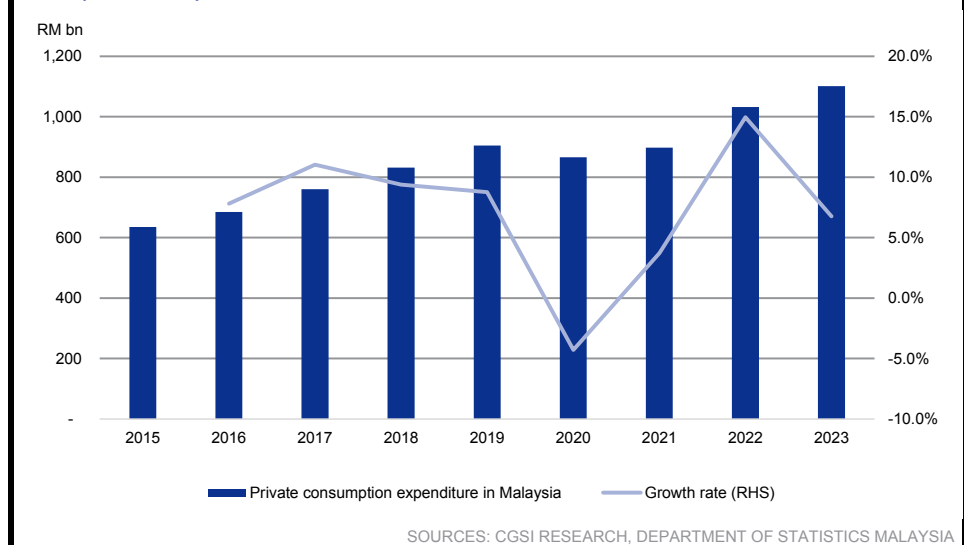
SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: We believe Beshom will need to intensify its promotional campaigns in response to new MLM players entering the market. We expect margins to remain subdued during our FY24-26F forecast period, relative to FY17-22 levels.



SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Malaysia's private consumption expenditure has grown at an 8-year CAGR of 7.1% (2015-2023)



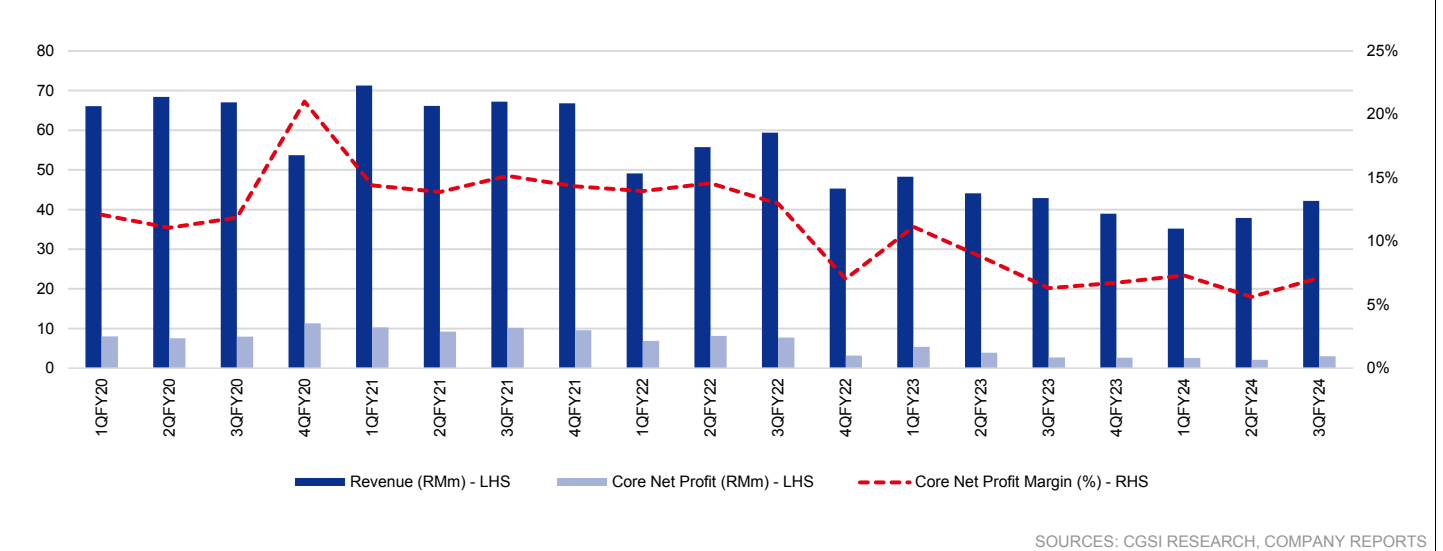
SOURCES: CGSI RESEARCH, DEPARTMENT OF STATISTICS MALAYSIA

Figure 4: 9MFY4/24 results

Interim Results	3QFY24	3QFY23	yoy % chg	2QFY24	qoq % chg	9MFY24	9MFY23	yoy % chg
Revenue	42.2	42.9	(1.7%)	37.9	11.3%	115.2	135.2	(14.8%)
EBITDA	4.6	4.4	4.2%	3.1	49.7%	11.5	16.6	(30.6%)
<i>EBITDA Margin (%)</i>	<i>10.9%</i>	<i>10.3%</i>	<i>0.6%</i>	<i>8.1%</i>	<i>2.8%</i>	<i>10.0%</i>	<i>12.2%</i>	<i>(2.3%)</i>
EBIT	3.2	3.1	5.4%	1.7	91.3%	7.4	12.4	(40.9%)
<i>EBIT Margin (%)</i>	<i>7.6%</i>	<i>7.1%</i>	<i>0.5%</i>	<i>4.5%</i>	<i>3.2%</i>	<i>6.4%</i>	<i>9.2%</i>	<i>(2.8%)</i>
Pretax Profit	4.3	4.1	6.2%	3.3	30.5%	11.1	19.1	(42.0%)
<i>Pretax Profit Margin (%)</i>	<i>10.3%</i>	<i>9.5%</i>	<i>0.8%</i>	<i>8.8%</i>	<i>1.5%</i>	<i>9.6%</i>	<i>14.1%</i>	<i>(4.5%)</i>
Net Profit	3.0	2.6	15.8%	2.3	29.8%	7.8	13.5	(42.3%)
<i>Net Profit Margin (%)</i>	<i>7.2%</i>	<i>6.1%</i>	<i>1.1%</i>	<i>6.1%</i>	<i>1.0%</i>	<i>6.8%</i>	<i>10.0%</i>	<i>(3.2%)</i>
Core Net Profit	3.0	2.7	11.1%	2.1	41.1%	7.7	12.0	(35.6%)
<i>Core Net Profit Margin (%)</i>	<i>7.1%</i>	<i>6.3%</i>	<i>0.8%</i>	<i>5.6%</i>	<i>1.5%</i>	<i>6.7%</i>	<i>8.8%</i>	<i>(2.2%)</i>
EPS (sen)	1.00	0.87	15.8%	0.77	29.8%	2.60	4.50	(42.3%)
Core EPS (sen)	1.00	0.90	11.1%	0.71	41.1%	2.57	3.98	(35.6%)

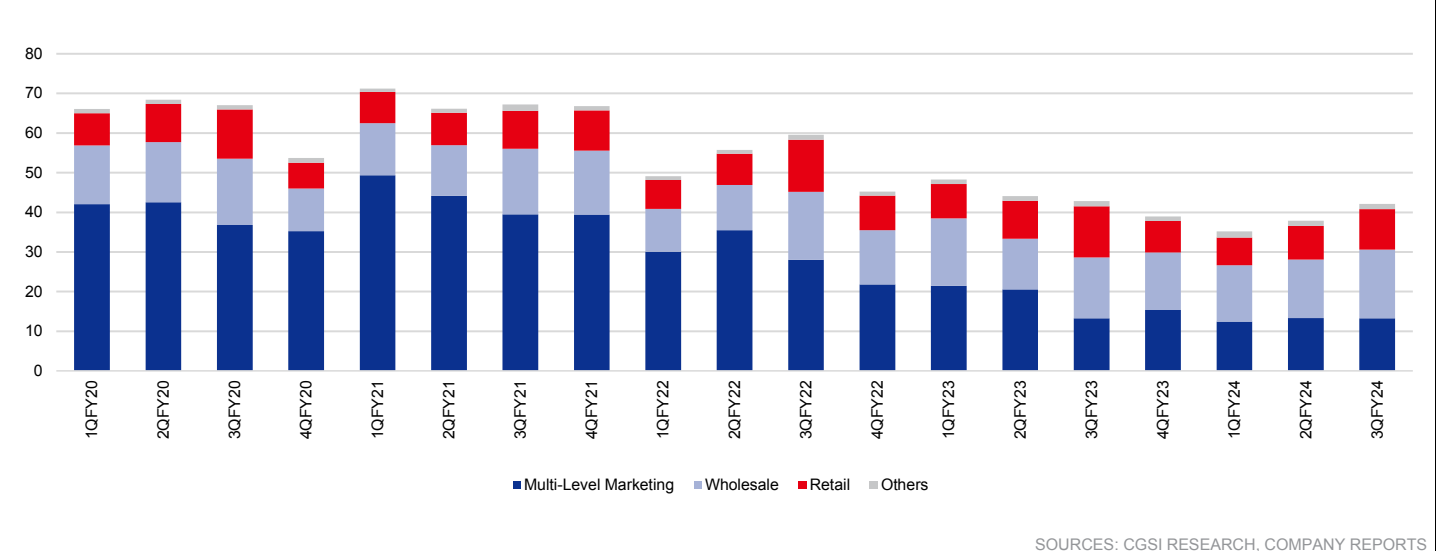
SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 5: Quarterly revenue and core net profit



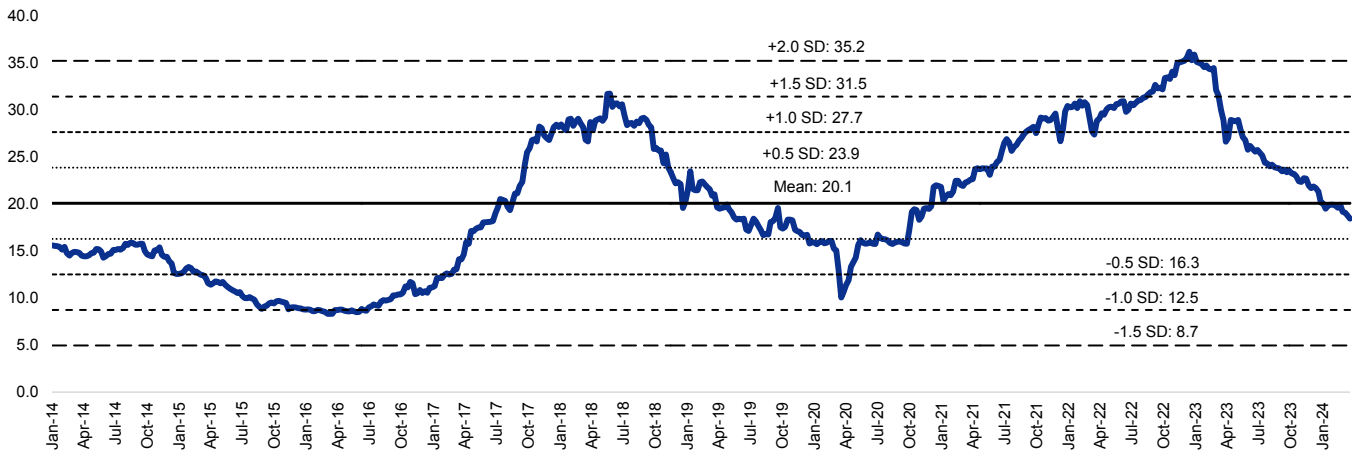
SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 6: Quarterly revenue by segment – MLM weakness, but wholesale and retail segments continue to show resilience



SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 7: Adj. P/E (1 year forward, as of 22 Mar2024)




SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 8: Sector comparison

Company	Bbg Ticker	Price Rec. (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		P/BV (x)		Recurring ROE (%)		Dividend Yield (%)		
					CY24F	CY25F	CY24F	CY25F	CY24F	CY25F	CY24F	CY25F	
Consumer Discretionary													
7-Eleven Malaysia Holdings	SEM MK	Hold	2.00	1.98	465	32.8	27.2	5.19	4.73	17.5%	18.2%	1.8%	2.2%
Berjaya Food Berhad	BFD MK	Add	0.59	1.00	219	18.3	10.5	2.10	1.89	12.0%	19.0%	2.1%	4.3%
Bonia Corporation	BON MK	Add	1.79	3.50	75	6.1	na	0.87	na	14.3%	na	14.7%	na
Mynews Holdings Berhad	MNHB MK	Add	0.55	0.89	86	32.6	19.9	1.67	1.58	5.0%	8.1%	0.7%	1.6%
Panasonic Manufacturing Malaysia Berhad	PMM MK	Reduce	18.18	20.10	231	13.5	na	1.31	na	9.8%	na	6.2%	na
Mr D.I.Y. Group (M) Bhd	MRDIY MK	Add	1.50	1.90	2,970	22.5	20.4	7.23	6.38	34.8%	33.2%	2.5%	3.0%
Beshom Holdings Bhd	BESHOM MK	Hold	0.89	0.93	56	19.9	15.3	0.85	0.84	4.4%	5.5%	4.1%	4.9%

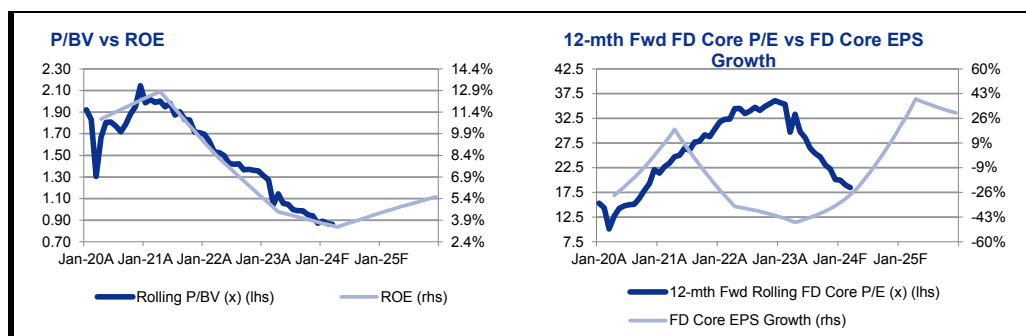
DATA AS OF 27 MAR 2024

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Refinitiv ESG Scores	
	
ESG in a nutshell	
<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 provide 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 of FY23, Beshom had three female directors (37.5%), which exceeds the Malaysian Code of Corporate Governance's (MCCG) minimum recommendation of at least 30% women directors. The group's six independent directors (75%) also surpasses 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>Implications</p> <p>We view Beshom's board composition positively. Beshom has made the necessary efforts to appoint additional female directors compared to previous years to meet the MCCG recommendation. 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 contributions to community development and 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>ESG highlights</p> <p>The group established eight Socioeconomic Sustainability KPIs in FY23, which include targets such as sponsoring programmes for teachers and students and maintaining a Gender Wage Parity Index of 1:0.91 among employees.</p>	<p>Implications</p> <p>In FY23, the group was able to meet all the Socioeconomic KPIs with the exception of having 80,000 transactions via its e-commerce platform. The group was able to achieve 94% of this target (which translates to c.15% of sales in the MLM and retail segments).</p>
<p>Trends</p> <p>In FY23, the group was able to meet all its Environmental Sustainability KPIs. These included: i) saving 20,000 reams of A4 paper, ii) prioritising usage of eco-friendly packaging, iii) commissioning of solar energy projects, and iv) usage of LED lighting for all new outlets.</p>	<p>Implications</p> <p>We are positive on Beshom's efforts in environmental sustainability. During FY23, the group recorded: i) saving 24,854 reams of A4 paper, ii) usage of grey pack packing in 4 products launched in the year, iii) installation of solar panel systems at 3 locations, and iv) installation of LED lighting at 1 new outlet and 1 relocated branch.</p>

SOURCES: CGSI RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(RMm)	Apr-22A	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Total Net Revenues	209.6	174.2	154.8	164.8	176.6
Gross Profit	86.2	73.2	58.8	64.3	70.7
Operating EBITDA	43.7	27.3	21.4	25.7	30.6
Depreciation And Amortisation	(6.1)	(5.5)	(5.6)	(5.4)	(5.2)
Operating EBIT	37.6	21.8	15.8	20.3	25.5
Financial Income/(Expense)	0.4	0.4	0.8	1.9	2.0
Pretax Income/(Loss) from Assoc.	(0.1)	(0.2)	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)	37.9	22.0	16.5	22.2	27.4
Exceptional Items					
Pre-tax Profit	37.9	22.0	16.5	22.2	27.4
Taxation	(11.4)	(7.5)	(5.6)	(7.0)	(8.2)
Exceptional Income - post-tax					
Profit After Tax	26.5	14.5	10.9	15.2	19.2
Minority Interests	(0.7)	(0.5)	(0.3)	(0.4)	(0.5)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	25.8	14.0	10.6	14.8	18.7
Recurring Net Profit	25.8	14.0	10.6	14.8	18.7
Fully Diluted Recurring Net Profit	25.8	14.0	10.6	14.8	18.7

Cash Flow

(RMm)	Apr-22A	Apr-23A	Apr-24F	Apr-25F	Apr-26F
EBITDA	43.70	27.28	21.38	25.68	30.63
Cash Flow from Inv. & Assoc.	0.12	0.15	0.00	0.00	0.00
Change In Working Capital	-3.83	-5.22	3.98	-1.83	-1.18
(Incr)/Decr in Total Provisions	1.05	0.91	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	-3.24	-3.86	0.00	0.00	0.00
Other Operating Cashflow					
Net Interest (Paid)/Received	0.37	0.39	0.77	1.86	1.95
Tax Paid	-14.36	-10.18	-5.63	-6.98	-8.24
Cashflow From Operations	23.81	9.48	20.49	18.72	23.17
Capex	-1.00	-3.28	-1.55	-1.65	-1.77
Disposals Of FAs/subsidiaries	15.55	33.70	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	-13.23	-38.41	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	1.32	-7.99	-1.55	-1.65	-1.77
Debt Raised/(repaid)	-1.49	-1.56	-1.16	-1.19	-1.22
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	-0.19	0.00	0.00	0.00	0.00
Dividends Paid	-24.21	-24.25	-10.70	-10.70	-12.20
Preferred Dividends					
Other Financing Cashflow	1.26	0.00	0.00	0.00	0.00
Cash Flow From Financing	-24.62	-25.81	-11.86	-11.89	-13.42
Total Cash Generated	0.50	-24.32	7.08	5.19	7.98
Free Cashflow To Equity	23.64	-0.07	17.78	15.89	20.18
Free Cashflow To Firm	25.34	1.71	19.13	17.27	21.60

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Apr-22A	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Total Cash And Equivalents	57.4	35.2	42.2	47.4	55.4
Total Debtors	20.9	18.2	23.1	21.3	18.8
Inventories	89.3	87.5	78.9	82.6	87.1
Total Other Current Assets	60.6	64.1	64.1	64.1	64.1
Total Current Assets	228.2	205.0	208.3	215.4	225.4
Fixed Assets	136.0	135.3	132.5	130.3	128.4
Total Investments	2.1	9.1	9.1	9.1	9.1
Intangible Assets	0.1	0.1	0.1	0.1	0.1
Total Other Non-Current Assets	3.8	3.7	3.3	3.3	3.3
Total Non-current Assets	141.9	148.2	145.1	142.8	140.9
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt					
Total Creditors	35.2	25.8	26.0	26.2	27.0
Other Current Liabilities	3.2	2.4	1.9	2.0	2.0
Total Current Liabilities	38.4	28.3	28.0	28.1	29.0
Total Long-term Debt	0.0	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2.3	2.8	2.9	3.0	3.0
Total Non-current Liabilities	2.3	2.8	2.9	3.0	3.0
Total Provisions	0.3	0.3	0.3	0.3	0.3
Total Liabilities	41.0	31.4	31.2	31.4	32.4
Shareholders' Equity	317.1	309.7	309.8	314.1	320.8
Minority Interests	12.0	12.1	12.4	12.8	13.2
Total Equity	329.1	321.8	322.2	326.8	334.0

Key Ratios

	Apr-22A	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Revenue Growth	(22.8%)	(16.9%)	(11.2%)	6.5%	7.2%
Operating EBITDA Growth	(25.5%)	(37.6%)	(21.6%)	20.1%	19.3%
Operating EBITDA Margin	20.9%	15.7%	13.8%	15.6%	17.3%
Net Cash Per Share (RM)	0.19	0.12	0.14	0.16	0.18
BVPS (RM)	1.06	1.03	1.03	1.05	1.07
Gross Interest Cover	173.1	98.5	82.5	102.5	125.0
Effective Tax Rate	30.0%	34.0%	34.1%	31.5%	30.1%
Net Dividend Payout Ratio	93%	107%	85%	81%	72%
Accounts Receivables Days	37.54	40.98	48.82	49.12	41.42
Inventory Days	264.2	319.5	317.3	293.2	292.3
Accounts Payables Days	106.2	110.3	98.9	94.8	91.6
ROIC (%)	14.0%	8.0%	5.6%	7.4%	9.3%
ROCE (%)	11.7%	6.9%	5.2%	6.9%	8.4%
Return On Average Assets	7.05%	3.91%	2.87%	3.74%	4.75%

Key Drivers

	Apr-22A	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Cost of Sales as % Rev	-58.9%	-58.0%	-62.0%	-61.0%	-60.0%
Admin Expense as % Rev	-9.7%	-13.8%	-12.0%	-11.0%	-11.0%
Selling & Dist. Expense as % Rev	-12.1%	-17.5%	-16.0%	-16.0%	-15.0%
Other Operating Expense as % Rev	-1.8%	1.5%	-0.5%	-0.5%	-0.5%
Multi-Level Marketing % Rev Growth	-33.1%	-38.7%	-30.0%	10.0%	12.0%
Wholesale % Rev Growth	-9.3%	12.3%	2.0%	5.0%	5.0%
Retail % Rev Growth	3.2%	5.6%	1.5%	5.0%	5.0%
Others % Rev Growth	-7.4%	12.8%	1.0%	1.0%	1.0%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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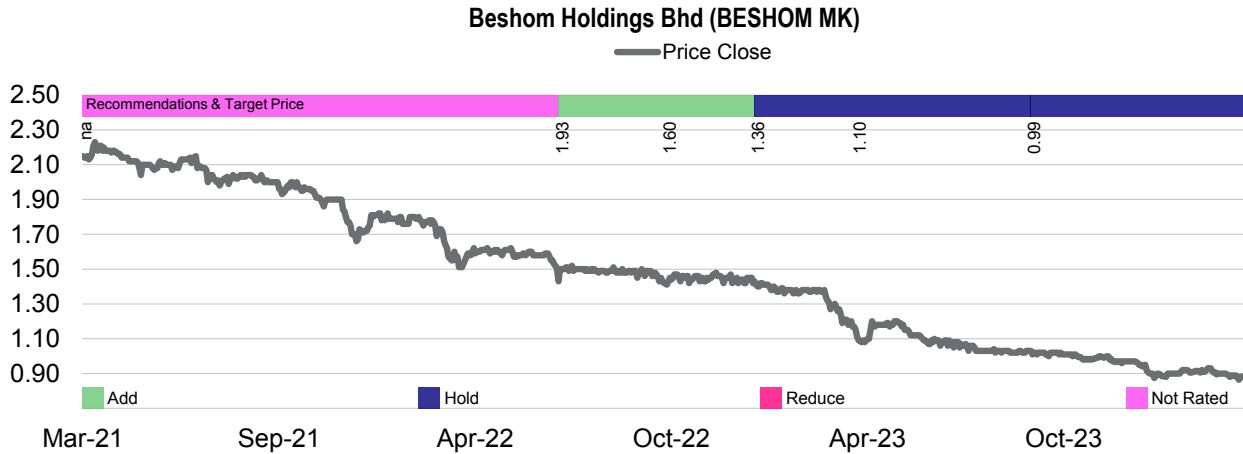
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	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)



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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
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