

Best World International Ltd

The Great Bounce Back

SINGAPORE | CONSUMER | NON-RATED NOTE

Best World International Ltd released their FY15 results after market closed on 25th Feb-16. We attended the Group's results briefing on 26th Feb-16 and these are the key takeaways.

FY15 earnings caught up with its pre-Global Financial Crisis level at S\$10 mn, which is more than twofold compared to FY14. The encouraging performance was mainly due to higher sales, as well as sales mix shift, which lifted its gross margin.

We are **Positive** on the continual growth in its key markets, particularly in Taiwan and China. The Group is also constantly looking out for opportunities to grow its presence organically and inorganically.

Results at a glance

Figure 1: FY15 Performance

(SGD mn)	FY15	FY14	y-y (%)	Comments
Revenue	101.7	75.3	35.1%	Higher sales from Taiwan, China, Indonesia and Malaysia
Gross profit	76.9	56.0	37.3%	Better profit margin driven by higher export orders
Gross margin	75.6%	74.4%		
Profit before tax	17.0	5.7	200.6%	
PATMI	10.1	4.1	149.2%	

Source: Company, PSR

Analyst briefing key takeaways

Grow sales force, expand customer base, increase platform, and push out new products to promote sales and stimulate demand.

a. Singapore

Demand remains flat as misconception of direct selling persist. Singaporeans still favour e-commerce and physical store compared to direct sales. In 1H16, the Group intends to implement more trainings, marketing events, online strategies and launch new products.

b. China

Direct selling license application is in progress. The management shared that over the past one year, the Chinese authorities has approved about 20 new licenses for direct selling, which is an encourage sign. While awaiting for good news, the Group is leveraging on its agents' strength to build brand awareness and customer base. These agents also form its prospective sales force to kick start its direct sales business.

On the other hand, its manufacturing/wholesale segment has an extensive distribution network. According to the management, its products (from the Chinese manufacturing facilities only) are sold to Chinese wholesalers in 29 provinces and more than 10,000 drug stores. New products, pending registration with the China Food and Drug Administration, is expected to be launched in 2Q16.

c. Indonesia

Introduction of the new compensation plan in FY14 has seen positive result in FY15. The Group intends to roll out more marketing campaigns and activities to promote sales and membership growth.

29 February 2016

Non-rated

LAST TRADED PRICE	SGD 0.380
FORECAST DIV	N/A
TARGET PRICE	N/A
TOTAL RETURN	N/A

COMPANY DATA

O/S SHARES (MN):	221
MARKET CAP (USD mn / SGD mn):	60 / 84
52 - WK HI/LO (SGD):	0.41 / 0.18
3M Average Daily T/O (mn):	0.85

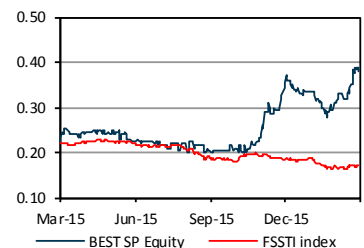
MAJOR SHAREHOLDERS (%)

D2 Investment Pte Ltd	34.89%
Shi Jinyu	7.01%
Moi Tan Doreen Nee	5.59%
Beng Mui Hoan	5.59%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	32.2	20.0	85.4
STIRETURN	4.20	(7.75)	(19.96)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY 12	FY 13	FY 14	FY 15
Revenue	48	41	75	102
EBITDA	5	1	7	20
NPAT (adj.)	2	1	4	10
EPS (SGD cents)	0.88	0.70	1.86	1.70
PER, x (adj.)	19.9	29.3	12.9	19.7
P/BV, x	0.8	0.9	0.9	1.3
DPS (SGD cents)	1.20	0.30	0.80	2.00
ROE, %	3.8%	2.9%	7.7%	16.8%

Source: Bloomberg

Soh Lin Sin (+65 6212 1847)
sohls@phillip.com.sg

d. Taiwan

Opened the third Regional Centre (RC) in Kaohsiung in Jan-16 to reach out to new members in the southern part of the market. The new RC complements the Group's existing RC network in Taipei and Taichung.

e. Philippines

Continuous stiff market competition and recent burgeoning investment scams in Philippines has not only caused staff movements but also gave direct selling a bad name. New management will be introduced in FY16 to bring in fresh ideas to revitalise the market in conjunction with more trainings and introduction of new products.

f. Other markets

Contribution from Thailand, Hong Kong, Vietnam and Myanmar continue to shrink, offsetting improvement from Malaysia and Korea.

In Jan-16, the Group has signed a joint venture agreement with a local Dubai partner. The building of its Dubai Regional Centre aims to serve the Gulf Cooperation Council (including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), and will eventually serve as a launch pad for the Group to springboard to other nearby markets such as India and Europe markets in the next three to five years.

Figure 2: Revenue by Segment

Revenue by Segment								
(SGD mn)	4Q15	3Q15	%q-q	4Q14	%y-y	FY15	FY14	%y-y
Direct Selling	34.2	21.0	62.7%	20.1	70.2%	80.5	60.3	33.7%
Export	4.8	4.0	20.9%	3.4	40.2%	14.4	7.9	81.9%
Manufacturing/ Wholesale	1.9	1.2	62.6%	1.4	34.5%	6.7	7.1	-5.3%

Source: Company, PSR

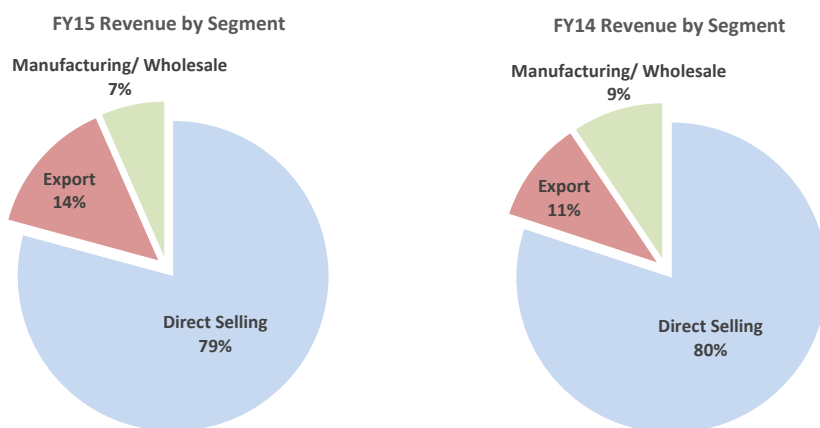


Figure 3: Revenue by Geography

Revenue by Geography								
(SGD mn)	4Q15	3Q15	%q-q	4Q14	%y-y	FY15	FY14	%y-y
Singapore	1.7	1.8	-1.8%	2.5	-31.5%	7.4	8.8	-16.1%
China	6.5	4.8	35.5%	4.4	48.9%	19.8	13.0	52.3%
Indonesia	2.9	2.4	22.4%	0.5	466.9%	6.5	2.9	124.7%
Taiwan	27.6	14.1	95.1%	11.2	146.2%	56.4	22.7	148.3%
Philippines	0.2	0.5	-55.8%	3.7	-93.7%	2.8	18.5	-84.6%
Others	2.0	3.2	-37.5%	2.7	-27.5%	8.7	9.4	-6.7%

Source: Company, PSR

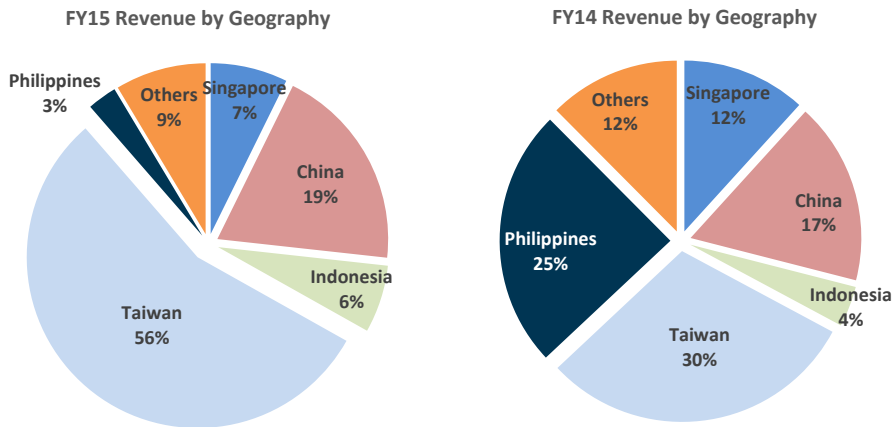
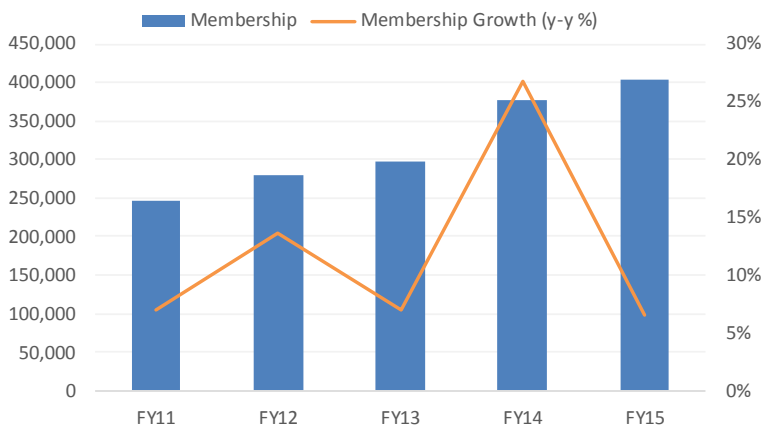
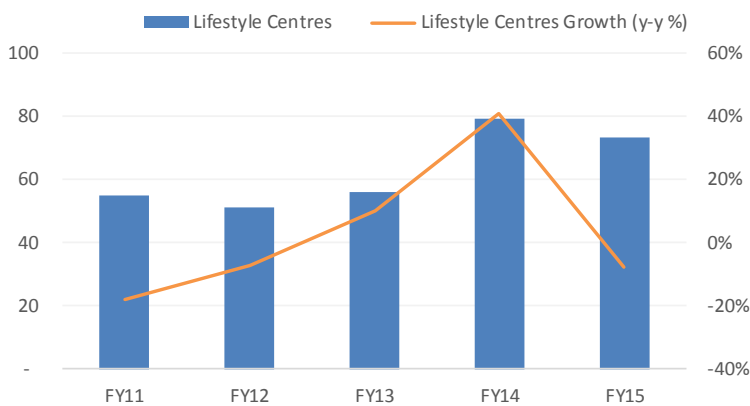


Figure 4: Membership and Lifestyle Centres Growth



Source: Company, PSR



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Investment Actions

No stock rating or price target provided, as we do not have coverage on Best World International Limited.

Contact Information (Singapore Research Team)

Management

Jacky Lee Chee Waiy (CEO & Head, Research) - jackyleecw@phillip.com.sg

Research Operations Officer

Mohamed Ghazali - ghazali@phillip.com.sg

Consumer | Healthcare

Soh Lin Sin - sohls@phillip.com.sg

Infrastructure | REITs (Hospitality)

Peter Ng - peterngmc@phillip.com.sg

Macro

Pei Sai Teng - peist@phillip.com.sg

Transport | REITs (Industrial)

Richard Leow, CFTE, FRM - richardleowwt@phillip.com.sg

REITs (Commercial, Retail, Healthcare) | Property

Dehong Tan - tandh@phillip.com.sg

Technical Analysis

Jeremy Ng - jeremyngch@phillip.com.sg

Banking and Finance

Jeremy Teong - jeremyteongfh@phillip.com.sg

US Equity

Ho Kang Wei - hokw@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
JI Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA

Phillip Capital Limited

Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au

SRI LANKA

Asha Phillip Securities Limited

2nd Floor, Lakshmans Building,
No. 321, Galle Road,
Colombo 03, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

TURKEY

PhillipCapital Menkul Degerler

Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGCC)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

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