

Singapore

REDUCE (previously HOLD)

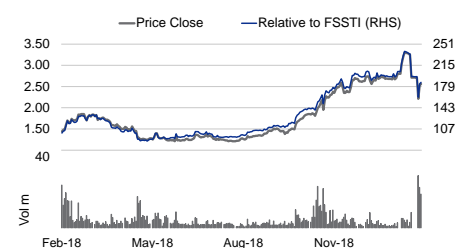
Consensus ratings*: Buy 1 Hold 1 Sell 2

Current price:	S\$2.56
Target price:	S\$2.43
Previous target:	S\$1.90
Up/downside:	-5.1%
CGS-CIMB / Consensus:	14.0%
Reuters:	BEST.SI
Bloomberg:	BEST SP
Market cap:	US\$1,044m
	S\$1,406m
Average daily turnover:	US\$7.39m
	S\$10.05m
Current shares o/s:	550.1m
Free float:	45.1%

*Source: Bloomberg

Key changes in this note

- FY19F-20F EPS increased by 5.5% and 7.5% respectively.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.5	11.3	77.8
Relative (%)	-6	6.1	86

Major shareholders

	% held
D2 Investment Pte Ltd	34.9
Hoan Beng Mui (Dora)	5.6
Tan Nee Moi (Doreen)	5.6

Analyst(s)



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Best World International Ltd

4Q18 results: Growth priced in for now

- BEST's FY18 core net profit of S\$64.0m was in-line at 103.9% of our FY18 forecast (S\$62m) but marginally ahead of the consensus number (S\$60.6m).
- China is expected to be the key net profit driver for FY19-20F; but at 15.7x CY20F P/E we believe this growth has already been priced-in.
- Downgrade to Reduce from Hold as our new TP of S\$2.43 now on 14.9x CY20F P/E (c.1.5 s.d. above its 2-year average), features downside risks.

China franchise contribution spurs revenue growth

Revenue grew to S\$127.7m in 4Q18 (+78.6% yoy/+38.7% qoq) as Best World (BEST) completed the transition of its China business to a franchise model and started recognising revenues. China contributed 62.7% of 4Q18 revenue, Taiwan contributed 28.5%. 12M18 revenue grew 24% yoy (vs. 12M17:S\$214.1m) with China and Taiwan contributing 54.4% and 32.3% of total revenue respectively.

12M18 net profit jumped, driven by China business

Topline growth lifted 4Q18 core net profit to S\$29.2m, up 33.8% yoy (vs. 4Q17: \$21.8m). 12M18 core net profit came in at S\$64.0m (excluding one-off trademark royalty fee received from its China agent in 3Q18 of S\$9m), with a net profit margin of 24%. Most of the growth was fuelled by China given Taiwan's 12M18 revenue grew by just 4.4% yoy.

Final and special DPS of 5.0Scts

BEST announced a final and special dividend of 4.2Scts and 0.8Scts respectively; taking FY18 DPS to 7.4Scts (55.8% payout ratio). Previously, the company had guided that it was committed to a payout ratio of not less than 40%, which is featured in our forecasts.

China is the key growth driver in the near-term

Management is cautiously optimistic that it will achieve revenue and net profit growth in FY19F, driven mainly by continued sales growth from its China franchise business. Taiwan and Indonesia are also secondary contributors. We lift our FY19F and FY20F net profits by 5.5% and 7.5% respectively on higher revenue growth, especially from China. We also introduce FY21F EPS of 17Scts which features a 2.9% yoy growth.

Downgrade to Reduce, forward growth likely priced in

We raise our TP to S\$2.43 as we raise our P/E to 14.9x on unchanged CY20F (previously 12.5x) as we lift our valuations to c.1.5 s.d. above its 2-year historical average in light of the strong growth in FY19-20F. However, with the stock currently valued at 15.7x FY20F we believe most of the forward growth has been priced in. Hence, we downgrade our call on the stock. Upside risks to our call include a quicker-than-expected turnaround in Taiwan and better-than-expected growth in China. Downside risks include weaker-than-expected sales in Taiwan or China.

Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (S\$m)	214.8	266.3	433.8	461.4	475.0
Operating EBITDA (S\$m)	71.6	94.9	110.8	122.3	125.8
Net Profit (S\$m)	55.67	72.89	84.05	89.53	92.16
Core EPS (S\$)	0.11	0.12	0.15	0.16	0.17
Core EPS Growth	83.6%	7.7%	31.7%	6.5%	2.9%
FD Core P/E (x)	23.73	22.03	16.73	15.71	15.26
DPS (S\$)	0.041	0.074	0.061	0.065	0.067
Dividend Yield	1.60%	2.89%	2.39%	2.54%	2.62%
EV/EBITDA (x)	17.53	13.97	10.63	9.13	8.42
P/FCFE (x)	34.36	9.74	25.36	14.48	14.98
Net Gearing	(67%)	(120%)	(102%)	(105%)	(105%)
P/BV (x)	10.87	8.10	6.28	5.07	4.23
ROE	54.0%	42.2%	42.3%	35.7%	30.2%
% Change In Core EPS Estimates			5.54%	7.49%	
CIMB/consensus EPS (x)			1.02	0.96	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

4Q18 results: Growth priced in for now

Figure 1: Results Comparison

FYE Dec (S\$ m)	4Q FY18	4Q FY17	yoy % chg	qoq % chg	12M18 cum	12M17 cum	yoy % chg	Prev FY18F	Comments
Revenue	127.7	71.5	78.6%	38.7%	266.3	214.8	24%	253.7	Deemed slightly above, 12M18 achieved 105% of FY18F.
Operating costs	(88.5)	(50.7)	74.6%	62.0%	(171.4)	(143.2)	20%	(165.1)	
EBITDA	39.1	20.8	88.3%	4.6%	94.9	71.6	32%	88.7	
EBITDA margin (%)	30.7	29.1	158.0%	-998.5%	35.6	33.4	2.3	34.9	
Depn & amort.	(1.3)	(0.4)	201.9%	155.2%	(1.9)	(1.3)	49%	(1.9)	
EBIT	39.1	20.1	95.1%	10.0%	92.4	67.5	37%	84.1	
Interest expense	(0.0)	(0.0)	nm	nm	(0.1)	(0.2)		(0.1)	
Interest & invt inc	0.3	0.1	150.4%	53.1%	0.8	0.4	96%	0.7	
Other operating incom	(1.1)	0.2	-610.6%	#DIV/0!	8.9	5.6	59%	8.3	
Pretax profit	39.4	20.1	95.8%	10.3%	93.1	67.8	37%	84.7	
Tax	(11.4)	1.5	-857.7%	90.3%	(20.6)	(12.6)	63%	(14.4)	
Tax rate (%)	28.9	(7.5)	3638.4%	1215.5%	22.1	18.6	3.5	17.0	
Minority interests	(0.1)	(0.2)	nm	nm	(0.3)	(0.5)	nm	0.0	
Net profit	28.1	21.8	28.9%	-6.0%	72.9	55.7	31%	70.3	
Core net profit	29.2	21.8	33.8%	-2.4%	64.0	55.7	15%	62.0	12M18 achieved 103.1%/105.6% of consensus
EPS (S cts)	5.1	4.0	28.9%	-6.0%	13.3	10.1	31%	12.8	
Core EPS (S cts)	5.3	4.0	33.8%	-2.4%	11.6	10.1	15%	11.3	

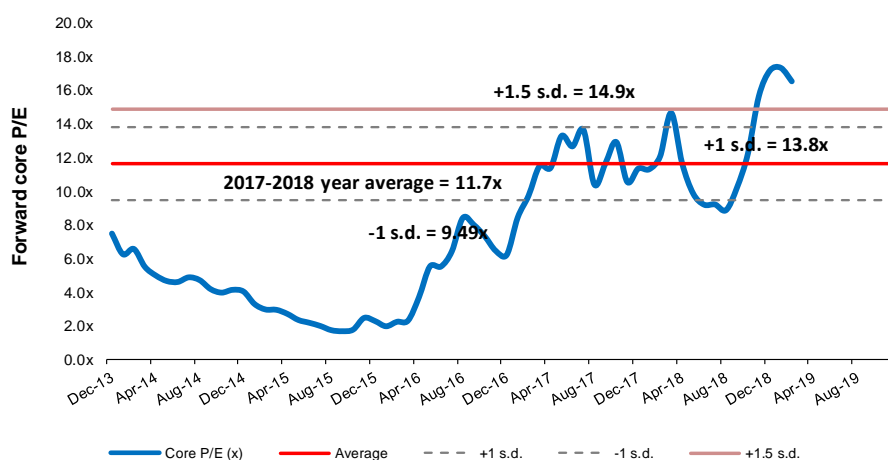
SOURCES: CGS-CIMB RESEARCH, COMBANY REBORTS

Figure 2: Forecast revisions

S\$m	New		Old		% Change	
	2019F	2019F	2019F	2020F	2019F	2020F
Revenue	433.8	461.4	378.4	437.0	14.6%	5.6%
Gross profit	338.0	359.5	302.7	349.6	11.6%	2.8%
GPM (%)	78%	78%	80%	80%	-2.1%pt	-2.1%pt
EBIT	108.0	119.5	95.4	110.2	13.2%	8.4%
OPM (%)	24.9%	25.9%	25.2%	25.2%	-0.3%pt	0.7%pt
Core net profit	84.2	89.7	79.8	83.5	5.5%	7.4%
Core EPS	15.3	16.3	14.5	15.2	5.5%	7.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Best World's historical forward P/E trading band



SOURCE: CGS-CIMB RESEARCH, COMPANY

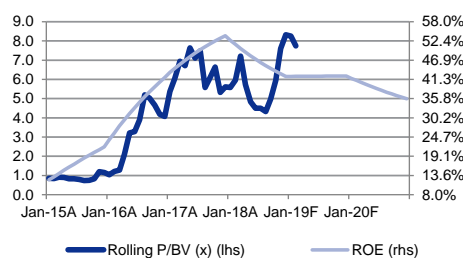
Figure 4: Peers Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY19F	P/E (x) CY20F	2-year EPS CAGR (%)	P/BV (x) CY19F	Recurring ROE (%) CY19F	Dividend Yield (%) CY19F
Best World International Ltd	BEST SP	REDUCE	2.56	2.43	1,044	16.7	15.7	18.5%	6.28	42.1%	2.4%
Amway Malaysia Holdings Bhd	AMW MK	Not rated	6.25	NA	253	21.6	20.4	-3.8%	4.17	19.7%	4.7%
Herbalife Nutrition Ltd	HLF US	Not rated	56.52	NA	8,640	17.6	15.4	31.4%	na	na	0.0%
Nu Skin Enterprises Inc	NUS US	Not rated	62.34	NA	3,451	15.8	14.3	40.4%	4.83	27.8%	2.4%
Tupperware Brands Corp	TUP US	Not rated	31.04	NA	1,511	7.5	7.2	17.6%	na	na	4.8%
Avon Products Inc	AVP US	Not rated	3.09	NA	1,367	28.1	16.3	na	na	na	0.0%
USANA Health Sciences Inc	USNA US	Not rated	99.88	NA	2,329	17.7	15.4	12.6%	na	25.7%	na
Simple average						18.0	14.8	19.6%	4.50	24.4%	2.4%

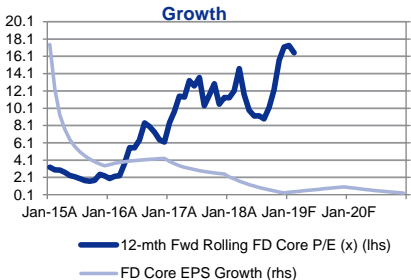
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	214.8	266.3	433.8	461.4	475.0
Gross Profit	146.5	207.5	338.0	359.5	370.1
Operating EBITDA	71.6	94.9	110.8	122.3	125.8
Depreciation And Amortisation	(4.2)	(2.5)	(2.8)	(2.8)	(2.8)
Operating EBIT	67.5	92.4	108.0	119.5	123.0
Financial Income/(Expense)	0.3	0.7	(0.1)	(0.1)	(0.1)
Pretax Income/(Loss) from Assoc.	0.0	0.0	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)	71.5	84.2	108.0	119.5	123.0
Exceptional Items					
Pre-tax Profit	67.8	93.1	107.9	119.4	122.9
Taxation	(12.6)	(20.6)	(23.8)	(29.8)	(30.7)
Exceptional Income - post-tax					
Profit After Tax	55.1	72.6	84.0	89.5	92.2
Minority Interests	0.5	0.3	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	55.7	72.9	84.0	89.5	92.2
Recurring Net Profit	59.4	64.0	84.2	89.7	92.3
Fully Diluted Recurring Net Profit	59.4	64.0	84.2	89.7	92.3

Cash Flow

(\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	71.65	94.92	110.77	122.27	125.78
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2.80)	70.60	(34.76)	1.51	0.74
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.23	0.32	0.00	0.00	0.00
Other Operating Cashflow	(0.07)	0.42	0.00	0.00	0.00
Net Interest (Paid)/Received	0.27	0.75	(0.09)	(0.09)	(0.09)
Tax Paid	(16.57)	(15.00)	(17.81)	(23.82)	(29.84)
Cashflow From Operations	52.70	152.03	58.10	99.86	96.59
Capex	(2.55)	(2.58)	(2.58)	(2.58)	(2.58)
Disposals Of FAs/subsidiaries	0.00	0.79	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(9.21)	(0.30)	0.00	0.00	0.00
Other Investing Cashflow	(0.03)	(0.01)	0.00	0.00	0.00
Cash Flow From Investing	(11.80)	(2.10)	(2.58)	(2.58)	(2.58)
Debt Raised/(repaid)	0.10	(5.33)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	(0.43)	(1.18)	0.00	0.00	0.00
Dividends Paid	(16.51)	(27.50)	(33.62)	(35.81)	(36.87)
Preferred Dividends					
Other Financing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Financing	(16.84)	(34.00)	(33.62)	(35.81)	(36.87)
Total Cash Generated	24.06	115.93	21.90	61.47	57.14
Free Cashflow To Equity	41.00	144.60	55.52	97.28	94.01
Free Cashflow To Firm	41.06	150.02	55.61	97.37	94.10

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	92.4	206.7	228.7	290.1	347.3
Total Debtors	47.1	5.2	42.6	45.3	46.7
Inventories	28.2	31.4	48.6	51.6	53.2
Total Other Current Assets	12.6	29.9	30.0	30.0	30.0
Total Current Assets	180.2	273.3	349.8	417.1	477.1
Fixed Assets	7.6	8.2	9.1	9.9	10.7
Total Investments	1.2	1.1	1.1	1.1	1.1
Intangible Assets	5.2	4.2	3.1	2.1	1.1
Total Other Non-Current Assets	1.6	1.5	1.5	1.5	1.5
Total Non-current Assets	15.5	15.1	14.9	14.6	14.4
Short-term Debt	5.4	2.0	2.1	2.1	2.1
Current Portion of Long-Term Debt					
Total Creditors	56.7	112.9	138.6	152.0	156.4
Other Current Liabilities	1.0	1.0	1.0	1.0	1.0
Total Current Liabilities	63.0	115.9	141.7	155.1	159.5
Total Long-term Debt	2.0	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-current Liabilities	2.0	0.0	0.0	0.0	0.0
Total Provisions	3.9	1.7	1.7	1.7	1.7
Total Liabilities	69.0	117.6	143.5	156.8	161.3
Shareholders' Equity	129.5	173.8	224.2	277.9	333.2
Minority Interests	(2.7)	(3.0)	(3.0)	(3.0)	(3.0)
Total Equity	126.8	170.8	221.2	274.9	330.2

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	7.0%	24.0%	62.9%	6.4%	2.9%
Operating EBITDA Growth	47.2%	14.1%	29.0%	10.4%	2.9%
Operating EBITDA Margin	35.1%	32.3%	25.6%	26.5%	26.5%
Net Cash Per Share (\$\$)	0.15	0.37	0.41	0.52	0.63
BVPS (\$\$)	0.24	0.32	0.41	0.51	0.61
Gross Interest Cover	456	917	1,188	1,314	1,353
Effective Tax Rate	18.6%	22.1%	22.1%	25.0%	25.0%
Net Dividend Payout Ratio	41.7%	63.6%	39.9%	39.9%	39.9%
Accounts Receivables Days	59.93	35.86	20.12	34.88	35.35
Inventory Days	190.2	185.0	152.4	180.0	182.4
Accounts Payables Days	240.1	437.6	399.9	425.6	431.3
ROIC (%)	167%	187%	(325%)	(2542%)	(990%)
ROCE (%)	60.4%	53.9%	54.1%	47.5%	40.2%
Return On Average Assets	32.9%	26.0%	25.8%	22.5%	20.0%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	-33.0%	4.4%	-5.0%	-5.0%	-5.0%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	90.9%	31.1%	30.0%	10.0%	5.0%
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Outlets #/POS (main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Outlets #/POS (2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
A&P As % Of Sales	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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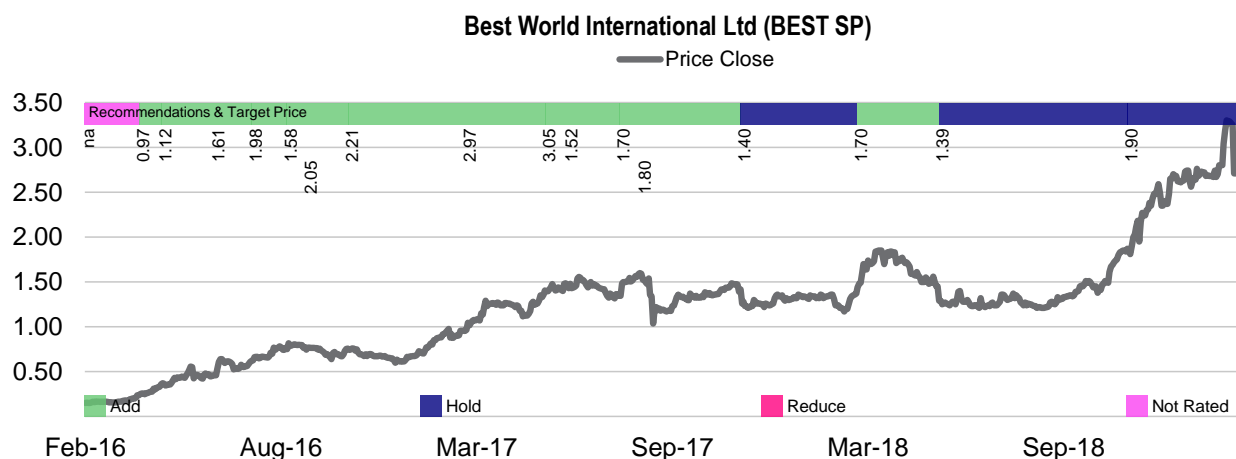
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758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

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Definition:

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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