

25 May 2018 | 1QFY18 Results Review

## Aeon Co. (M) Bhd

*Positivity priced in*

### INVESTMENT HIGHLIGHTS

- **1QFY18 earnings rose by +6.6yoy to RM27.9m, in-line with our expectation**
- **Retailing segment continue to recover**
- **Property management performance remain stable**
- **Better prospect has been factored into current valuation**
- **Downgrade to NEUTRAL with a revised TP of RM2.11**

**Earnings within expectations.** Aeon Co. (M) Bhd (Aeon Co)'s 1QFY18 earnings increased by +6.6%yoy to RM27.9m. This is in line with ours and consensus expectations, accounting for 26.3% and 23.9% of full year FY18 earnings forecasts respectively.

**Retailing segment continue to recover.** The retailing segment posed an encouraging performance as 1QFY18 revenue improved by +3.4%yoy to RM943.9m. Operating profit (OP) grew even larger pace at +37.6%yoy to RM6.8m premised on OP margin improvement. This was mainly due to the: (i) contribution from the new stores/supermarket launched at i.e. AEON Bandar Dato' Onn, Johor Bahru in September 2017 and; (ii) better pricing strategies and change in product mixture.

**Property management remained the backbone.** The property management services' continue to provide steady income to the group with 1QFY18 revenue and OP increased by +4.2%yoy and +6.0%yoy respectively. This was mainly due to the: (i) contribution from the rental and property management services provided at AEON Bandar Dato' Onn, Johor Bahru and; (ii) contribution from shopping malls that were renovated and expanded last year. In addition, Aeon Co managed to sustain an occupancy rate of approximately 90.0% despite the current tough market environment.

**Impact to earnings.** Post earnings announcement, we made no changes to our forecast as the result is in line with our expectation.


**Target price.** We are rolling forward our valuation base year to FY19 and derive a new target price of RM2.11 (previously RM2.04). This is based on pegging FY19EPES of 7.8sen against forward PER of 27.0x. Our target PER is premised on the average PER of the company for the past two years.

**Downgrade to NEUTRAL**  
(Previously BUY)

**Revised Target Price (TP): RM2.11**  
(Previously RM2.04)

RETURN STATS	
Price (24 <sup>th</sup> May 2018)	RM2.30
Target Price	RM2.11
Expected Share Price Return	-8.3%
Expected Dividend Yield	+1.6%
<b>Expected Total Return</b>	<b>-6.7%</b>

STOCK INFO	
KLCI	1,775.66
Bursa / Bloomberg	6599 / AEON MK
Board / Sector	Main/Consumer
Syariah Compliant	Yes
Issued shares (mil)	1,404.00
Market cap. (RM'm)	3,229.20
Price over NA	1.65x
52-wk price Range	RM1.45-RM2.65
Beta (against KLCI)	0.38
3-mth Avg Daily Vol	2.30m
3-mth Avg Daily Value	RM4.49m
Major Shareholders (%)	
AEON Co. Ltd	51.68%
Standard Life Aberdeen	14.98%
EPF	9.96%

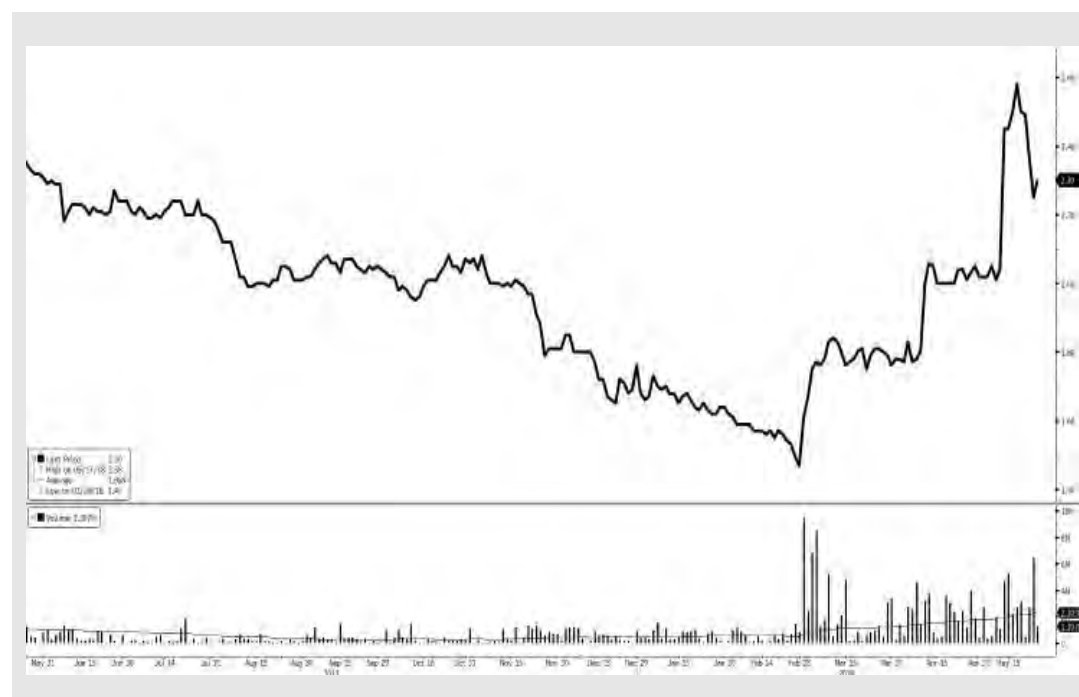
**Downgrade to NEUTRAL.** We expect Aeon Co's earnings to continue to improve moving forward, supported by the commitment of opening one shopping mall each year for the next three years. Since our BUY recommendation in February 2018, the share price has ran-up by +56.5% to RM2.30. Thus, we view that the positivity has been fully factored into the current valuation. Based on this, we are downgrading our recommendation to **NEUTRAL** (previously BUY). 

## INVESTMENT STATISTICS

FYE Dec (RM'm)	FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue	3,834.6	4,038.7	4,088.2	4,170.0	4,240.7
Operating Profit	227.0	181.2	240.5	231.0	222.6
Operating Profit Margin (%)	5.9	4.5	5.9	5.5	5.3
Pre-tax profit	210.8	193.8	193.8	204.5	210.6
Net profit	131.7	75.0	105.0	106.3	109.5
<b>Net profit margin (%)</b>	<b>3.4</b>	<b>1.9</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>
Basic EPS (sen)	9.5	5.7	7.5	7.6	7.8
<b>Basic EPS growth (%)</b>	<b>(37.3)</b>	<b>(40.2)</b>	<b>31.7</b>	<b>1.3</b>	<b>3.0</b>
PER (x)	24.2	40.5	30.7	30.4	29.5
Net DPS (sen)	4.0	3.0	3.3	3.5	3.8
Net dividend yield (%)	1.7	1.3	1.4	1.5	1.6

Source: Company, MIDFR

## DAILY PRICE CHART



Nabil Zainoodin, CA  
 nabil.zainoodin@midf.com.my  
 03-2772 1663

## AEON CO: 1QFY18 RESULTS REVIEW

FYE Dec (RM'm)	Quarterly results				
	1QFY18	4QFY17	1QFY17	YoY (%)	QoQ (%)
Revenue	1,114.3	1,067.2	1,076.9	3.5	4.4
Total Operating Expenses	(1,055.4)	(989.4)	(1,026.9)	2.8	6.7
Other Operating Income	1.5	21.3	2.1	(26.9)	(92.7)
<b>Profit from operations</b>	<b>60.4</b>	<b>99.1</b>	<b>52.1</b>	<b>16.0</b>	<b>(39.0)</b>
Interest expense	(8.7)	(10.7)	(9.5)	(8.1)	(18.5)
Interest income	0.3	0.4	0.3	36.3	(15.6)
Share of results of associates	(2.3)	(7.0)	0.0	n.m.	(67.2)
<b>Profit before tax</b>	<b>49.8</b>	<b>81.9</b>	<b>42.9</b>	<b>16.1</b>	<b>(39.2)</b>
Income tax expense	(21.8)	(42.7)	(16.7)	31.1	(48.9)
<b>Profit after tax</b>	<b>27.9</b>	<b>39.2</b>	<b>26.2</b>	<b>6.6</b>	<b>(28.7)</b>
Basic EPS (sen)	2.8	2.8	2.2	26.2	0.0
				<i>+ / (-) ppts</i>	
Operating profit margin (%)	5.4	9.3	4.8	0.6	3.9
PBT margin (%)	4.5	7.7	4.0	0.5	3.2
PAT margin (%)	2.5	3.7	2.4	0.1	1.2
Effective tax rate (%)	43.9	52.2	38.9	5.0	8.3
<b>Segments</b>					
<i>Revenue</i>					
Retailing	943.9	868.8	913.2	3.4	8.6
Property Management Services	170.4	176.7	163.6	4.2	(3.6)
Segmental Profit					
Retailing	6.8	44.9	4.9	37.6	(84.9)
Property Management Services	57.3	76.6	54.1	6.0	(25.2)
Segmental Profit margin (%)				<i>+ / (-) ppts</i>	
Retailing	0.7	5.2	0.5	0.2	4.4
Property Management Services	33.6	43.3	33.1	0.6	9.7

Source: Company, MIDFR

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## MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.