

29 June 2018 | 1QFY19 Results Review

Aeon Credit Service Bhd

Demand for financing not slowing down

Maintain BUY

Adjusted Target Price (TP): RM15.40
(from RM14.30)

INVESTMENT HIGHLIGHTS


- **ACSM's 1QFY19 net profit of RM99.2m came in above ours and consensus' estimates**
- **1QFY19 earnings was considerably higher (+30.9%yoy) due to higher income from both interest and fees**
- **We revised our forecast slightly upwards for FY19**
- **Maintain BUY with adjusted TP of RM15.40 as we rollover our valuation to FY20**

Above expectations. Aeon Credit's 1QFY19 earnings climbed +30.9%yoy higher to RM99.2m. The result was 32.3% and 31.2% of ours and consensus estimates, which was slightly higher.

Growth in 1Q18 earnings from higher income. The increase in 1QFY18's net profit was mainly attributable to growth in (1) interest income of RM287.0 (+%7.8%yoy), and (2) fee income of RM38.7m (+8.6%yoy). The fee income primarily comprised bad debts recovered and commission income from sale of insurance related products and loyalty programme processing fees.

Financing receivables improved. Financing receivables expanded, by +3.8%yoy to RM6.9b, leading to bigger contribution from interest income in 1QFY19. The positive earnings were also reflected by improvement in operating expenses, declining by -6.4%yoy in 1QFY19. It is notable that opex portion against revenue continued to improve, which was recorded at 50.6% against revenue, compared with 58.2% in the corresponding quarter of 1QFY18. Moving forward, we expect the ratio to remain healthy driven by its initiative for leaner opex management in the long run.

Earnings forecast adjusted. Given that the results were above our expectations, we are revising upwards our estimates for FY19. This is to take into account the overall opex downtrend whereby we are assuming a reduction of -5.7%yoy.

Valuation. We maintain our **BUY** recommendation on Aeon Credit with an adjusted TP of RM15.40 (from RM14.30), as we rollover our valuation to FY20. We peg the group's BVPS of RM7.00 to PBV of 2.2x. ACSM continues to ride on its value chain transformation journey. Our optimism also stemmed from the business proactivity in enhancing its business streams via the introduction of e-wallet and e-money cards, in which we opine, will improve the customers' brand loyalty with Aeon Credit. This will set strong foundation for its revenue base, while it continues to expand product offerings to the market. 

RETURN STATS	
Price (28 June 2018)	RM13.90
Target Price	RM15.40
Expected Share Price Return	+10.7%
Expected Dividend Yield	+3.2%
Expected Total Return	+13.9%

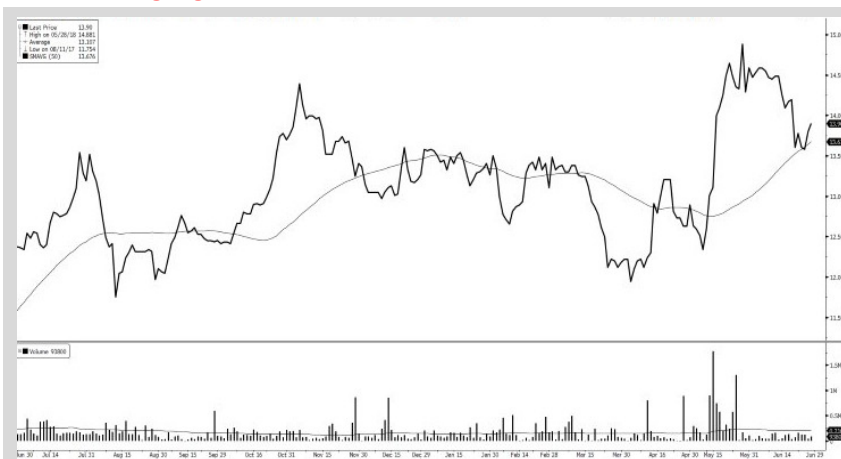
STOCK INFO	
KLCI	1,665.68
Bursa / Bloomberg	5139/ ACSM MK
Board / Sector	Main / Finance
Syariah Compliant	No
Issued shares (mil)	248.8
Par Value (RM)	0.50
Market cap. (RM'm)	3,470.6
Price over NTA	2.18x
52-wk price Range	RM11.98– RM15.20
Beta (against KLCI)	1.04x
3-mth Avg Daily Vol	0.21m
3-mth Avg Daily Value	RM2.86m
Major Shareholders (%)	
AEON	62.89
JP MORGAN CHASE	2.17
KONG GOON KHING	2.06

INVESTMENT STATISTICS

FYE Feb	FY16	FY17	FY18	FY19F	FY20F
Revenue (RM'm)	965.2	1102.0	1235.1	1364.1	1468.0
Operating profit (RM'm)	464.8	551.2	625.7	647.0	634.7
Pre-tax Profit (RM'm)	301.6	351.2	398.4	414.1	423.1
Net Profit (RM'm)	228.2	265.0	300.1	311.3	318.1
Vs. Consensus estimate (RM'm)	-	-	-	317.75	349.75
EPS(sen)	92.1	107.0	121.2	125.7	128.4
EPS growth (%)	5.8	16.1	13.2	3.7	2.2
PER (x)	15.1	13.0	11.5	11.1	10.8
PBV (x)	4.2	3.4	2.2	2.1	2.0
Dividend (sen)	59.5	63.0	41.0	42.3	44.7
Dividend Yield (%)	4.3	4.5	2.9	3.0	3.2

Source: Company, MIDFR

DAILY PRICE CHART



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Source: Bloomberg, MIDFR

1QFY19 RESULTS SUMMARY

FYE Feb (RM'm)	Quarterly Results				
	1Q19	1Q18	4Q18	YoY	QoQ
Interest income, profit & charges	287.0	266.3	276.7	7.8%	3.7%
Fee income	38.7	35.7	32.5	8.6%	19.1%
Revenue	325.7	302.3	309.2	7.8%	5.4%
Total operating expenses	-164.7	-175.9	-184.9	-6.4%	-10.9%
Other operating income	29.3	31.4	38.8	-6.7%	-24.5%
Profit from operations	190.3	157.7	163.0	20.6%	16.7%
Finance costs	-58.5	-55.9	-57.7	4.7%	1.4%
Profit before tax	131.8	101.9	105.4	29.3%	25.1%
Taxation	-32.5	26.1	-23.1	-224.8%	41.1%
Net profit	99.2	75.8	82.3	30.9%	20.6%
Basic EPS (sen)	37.6	29.0	31.9	29.6%	17.9%

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.