

21 December 2018 | 3QFY19 Results Review

Aeon Credit Service Bhd

Bottom line on strong growth trend

Maintain NEUTRAL
Unchanged Target Price (TP):RM15.40

INVESTMENT HIGHLIGHTS

- **Earnings of RM267.0 above our expectation**
- **Largely due to growth in sales and fee income**
- **Higher gross financing receivables**
- **Maintain earnings forecast**
- **Maintain NEUTRAL with a positive bias and TP of RM15.40**

Above our expectation. Aeon Credit recorded 9MFY19 net profit which was +23.0%yoy higher to RM267.0m. Accordingly, this translated to 83.9% of our estimates. However, it was within the expectation of consensus estimates of 73.6%.

Strong sales in 3QFY19 revenue, translated to +24.0%yoy higher income. The increase in 3QFY19's net profit was mainly attributable to growth in (1) interest income of RM300.2 (+8.0%yoy), (2) fee income of RM48.3m (+40.0%yoy). Notably, the fee income growth was mainly driven by the strong momentum in total transaction and financing which grew by +49.5%yoy to RM1.49b in 3QFY19 and cumulatively +26.4%yoy to RM3.89b in 9MFY19. We noted that the growth in revenue and net profit in this current quarter was almost doubled of that in the previous quarter. This came as a positive surprise as the demand had continued unabated despite the ending of the GST tax holiday and reintroduction of SST in the quarter.

Gross financing receivables expanded. It increased by +15.41%yoy to RM8.3b, which led to the growth in interest income. Non-performing loans ratio was also at its lowest in two years at 2.05% as at 30 November 2018, indicating a healthy financing portfolio. The positive earnings were also reflected by higher operating income on a cumulative basis. Furthermore, the opex portion against revenue ratio stood at 55.6%, compared with 60.9% in the corresponding quarter of 2QFY19 as driven by higher revenue recorded and its lean cost structure.


Unchanged earnings forecast. We maintain our earnings forecast for now pending more details from an analyst briefing to be held today.

RETURN STATS

Price (20 December 2018)	RM14.84
Target Price	RM15.40
Expected Share Price Return	+3.8%
Expected Dividend Yield	+3.0%
Expected Total Return	+6.8%

STOCK INFO

KLCI	1,650.56
Bursa / Bloomberg	5139/ ACSM MK
Board / Sector	Main / Finance
Syariah Compliant	No
Issued shares (mil)	250.75
Par Value (RM)	0.50
Market cap. (RM'm)	3,721.14
Price over NTA	2.66x
52-wk price Range	RM12.10– RM16.46
Beta (against KLCI)	0.85x
3-mth Avg Daily Vol	0.09m
3-mth Avg Daily Value	RM1.52m
Major Shareholders (%)	
AEON	62.62
EPF	2.69
JP MORGAN CHASE	2.09

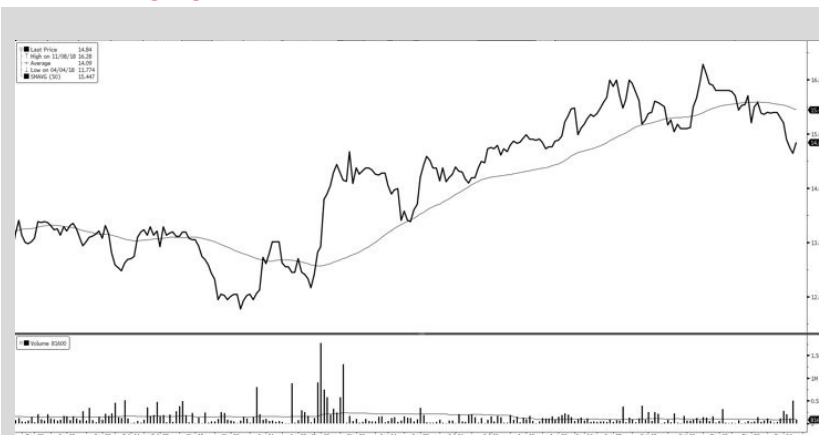
Valuation. We are positive on the outlook on the group's business, with continuous sales and earnings growth in 9MFY19. The demand was unabated despite the end of tax holiday period, indicating strong domestic consumption especially in retail segment, namely, personal financing, credit card financing and motor financing . As of now, we are maintaining **NEUTRAL** with a positive bias and **TP of RM15.40**. We will revisit the stock after the analyst briefing today to see if demand is expected to be maintained or any other re-rating catalyst. 

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)	-	-	-	335.2	363.0
EPS(sen)	91.0	105.7	119.7	124.1	126.9
EPS growth (%)	5.8	16.1	13.2	3.7	2.2
PER (x)	16.3	14.0	12.4	12.0	11.7
PBV (x)	4.2	3.4	2.4	2.2	2.0
Dividend (sen)	59.5	63.0	41.0	42.3	44.7
Dividend Yield (%)	4.0	4.2	2.8	2.9	3.0

Source: Company, MIDFR

DAILY PRICE CHART



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Source: Bloomberg, MIDFR

3QFY19 RESULTS SUMMARY

FYE Feb (RM'm)	Quarterly Results					Cumulative		
	3Q19	3Q18	2Q19	YoY	QoQ	9M19	9M18	YoY
Interest income, profit & charges	300.2	277.7	289.8	8%	4%	877.0	820.0	7%
Fee income	48.3	34.6	42.3	40%	14%	129.3	105.9	22%
Revenue	348.5	312.3	332.1	12%	5%	1,006.3	925.9	9%
Total operating expenses	-193.9	-190.2	-212.0	2%	-9%	-570.6	-551.1	4%
Other operating income	28.0	30.8	48.3	-9%	-42%	105.6	89.5	18%
Profit from operations	182.6	152.9	168.4	19%	8%	541.3	464.3	17%
Finance costs	-64.5	-57.6	-61.2	12%	5%	-184.2	-171.4	8%
Profit before tax	118.1	95.3	107.2	24%	10%	357.1	292.9	22%
Taxation	-30.9	-24.8	-26.6	25%	16%	-90.1	-75.2	20%
Net profit	87.1	70.5	80.6	24%	8%	267.0	217.7	23%
Basic EPS (sen)	33.4	28.7	31.0	16%	7%	102.8	110.9	-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.