



## Aeon Co. (M) Berhad

(6599 | AEON MK) Main | Consumer Products &amp; Services | Retailers

### Resilient Profit Growth

#### KEY INVESTMENT HIGHLIGHTS

- **Within expectations**
- **Stable growth with strong PMS contribution**
- **Resilient YTD performance**
- **Balancing profitability amid headwinds**
- **Maintain BUY with an unchanged TP of RM1.67**

**Within expectations.** Aeon Co. ("Aeon") chalked in 3QFY24 revenue of RM1b (-1.8%qoq; +4.9%yoy) and core PATANCI of RM19.2m (-27.6%qoq, +28.9%yoy) which brought 9MFY24 core PATANCI to RM104.0m (+23%yoy). This met our full-year FY24 forecast and was slightly below consensus at 75% and 69% of full-year expectations respectively.

**Stable growth with strong PMS contribution.** AEON's robust PAT growth was driven by effective cost management and an improved product mix in its retail segment. While revenue grew +4.9%yoy to RM1.0b in 3QFY24, core PAT surged by +28.9%yoy due to lower net finance costs and stable operating expenses. The property management services (PMS) segment contributed strongly, with enhanced profitability stemming from improved occupancy rates and strategic rental renewals. However, it is worth noting that the higher base in 3QFY23—due to a one-off RM15.1m lease de-recognition resulted in a -10.4%yoy decline in 3QFY24 profit before tax (PBT) to RM25.9m. Excluding this non-recurring item, PBT grew by RM12.1m, demonstrating AEON's operational resilience.

**Resilient YTD performance.** AEON's 9MFY24 core PAT of RM104.0m marked a +23%yoy growth. This growth was primarily attributed to higher gross margins and effective cost management across its operations. The company's ability to maintain profitability despite external challenges such as subdued consumer sentiment and inflationary pressures highlights its robust management strategies. The retail segment continued to deliver steady contributions, while PMS benefitted from sustained tenant demand and enhanced rental yields.

**Balancing profitability amid headwinds.** Although the retail segment recorded a slight revenue contraction of -1.8%qoq to RM822.1m, the focus on cost optimization helped cushion the impact on earnings. Similarly, PMS revenue fell -1.7%qoq to RM180.9m due to the absence of festive-driven spending. However, AEON's cost optimization efforts and efficient rental management effectively mitigated these temporary pressures, supporting a steady bottom line.

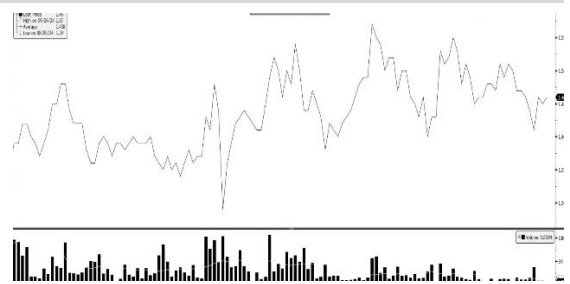
**Maintain BUY with an unchanged TP of RM1.67.** Given that 9MFY24 is within our estimates, we make no changes to our earnings forecast for FY24-26F. Our TP is based on PER of 15.5x pegging to FY25F EPS of 10.8sen.

**Maintain BUY****Unchanged Target Price: RM1.67**

#### RETURN STATISTICS

|  |              |
|--|--------------|
| Price @ 21 <sup>st</sup> Nov 2024 (RM) | 1.46         |
| Expected share price return (%)        | +14.4        |
| Expected dividend yield (%)            | +2.7         |
| <b>Expected total return (%)</b>       | <b>+17.1</b> |

#### SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month               | -5.8     | -2.4     |
| 3 months              | -3.9     | -1.1     |
| 12 months             | 31.5     | 21.2     |


#### INVESTMENT STATISTICS

| FYE Dec                 | 2024F   | 2025F   | 2026F   |
|-------------------------|---------|---------|---------|
| Revenue                 | 4,132.1 | 4,165.1 | 4,201.2 |
| EBITDA                  | 722.9   | 741.4   | 745.4   |
| Profit before tax (PBT) | 230.0   | 252.6   | 262.8   |
| Core PATANCI            | 138.0   | 151.6   | 157.7   |
| Core EPS (sen)          | 9.8     | 10.8    | 11.2    |
| DPS (sen)               | 4.0     | 4.3     | 4.5     |
| Dividend Yield (%)      | 2.7     | 2.9     | 3.0     |

#### KEY STATISTICS

|                                  |          |
|----------------------------------|----------|
| FBM KLCI                         | 1,588.68 |
| Issue shares (m)                 | 1404.00  |
| Estimated free float (%)         | 38.86    |
| Market Capitalisation (RM'm)     | 2,049.84 |
| 52-wk price range                | RM1.06 - |
| 3-mth average daily volume (m)   | 2.50     |
| 3-mth average daily value (RM'm) | 3.71     |
| Top Shareholders (%)             |          |
| AEON Co. Ltd                     | 51.68    |
| Employees Provident Fund Board   | 6.34     |
| Amanah Saham Nasional Bhd        | 4.90     |

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**Outlook.** We remain optimistic on Aeon Co's outlook underpinned by: (1) solid out-of-home spending thanks to the stable job market and income prospects, (2) various government cash handouts, and EPF Account 3 withdrawal that could support the spending for value staple products at Aeon Co, (3) stable occupancy rate and positive rental renewal for the PMS segment thanks to the return of consumers to shop physically and (4) strategic retail initiatives, including the expansion of private-label offerings, digital transformation efforts, and the development of AEON Living Zones, which enhance customer engagement and loyalty. 

### Aeon Co: 3QFY24 Results Summary

| FYE Dec (RM'm)                 | Quarterly results |             |             |                     |                     | Cumulative results |              |                     |
|--------------------------------|-------------------|-------------|-------------|---------------------|---------------------|--------------------|--------------|---------------------|
|                                | 3QFY24            | 2QFY24      | 3QFY23      | YoY (%)             | QoQ (%)             | 9MFY24             | 9MFY23       | YoY (%)             |
| Revenue                        | 1,003.0           | 1,020.9     | 955.9       | 4.9                 | (1.8)               | 3,191.3            | 3,095.7      | 3.1                 |
| Total operating expenses       | (967.0)           | (962.5)     | (922.8)     | 4.8                 | 0.5                 | (2,985.9)          | (2,921.0)    | 2.2                 |
| Other operating income         | 13.0              | 8.4         | 22.7        | (42.7)              | 54.8                | 27.4               | 37.5         | (26.9)              |
| <b>Operating profit (EBIT)</b> | <b>49.0</b>       | <b>66.8</b> | <b>55.8</b> | <b>(12.2)</b>       | <b>(26.6)</b>       | <b>232.8</b>       | <b>212.2</b> | <b>9.7</b>          |
| Net finance income/(cost)      | (23.4)            | (22.1)      | (26.9)      | (13.0)              | 5.9                 | (67.8)             | (72.1)       | (6.0)               |
| <b>Profit before tax (PBT)</b> | <b>25.9</b>       | <b>45.5</b> | <b>28.9</b> | <b>(10.4)</b>       | <b>(43.1)</b>       | <b>166.2</b>       | <b>140.1</b> | <b>18.6</b>         |
| Income tax expense             | (7.1)             | (17.8)      | (15.1)      | (53.0)              | (60.1)              | (62.2)             | (57.9)       | 7.4                 |
| <b>Profit After tax (PAT)</b>  | <b>18.8</b>       | <b>27.7</b> | <b>13.8</b> | <b>36.2</b>         | <b>(32.1)</b>       | <b>104.0</b>       | <b>82.2</b>  | <b>26.5</b>         |
| PATANCI                        | 18.8              | 27.7        | 13.8        | 36.2                | (32.1)              | 104.0              | 82.2         | 26.5                |
| <b>Core PATANCI</b>            | <b>19.2</b>       | <b>26.9</b> | <b>14.9</b> | <b>28.9</b>         | <b>(28.6)</b>       | <b>104.0</b>       | <b>84.6</b>  | <b>23.0</b>         |
| Basic EPS (sen)                | 1.3               | 2.0         | 1.0         | 36.7                | (32.0)              | 7.4                | 5.9          | 26.7                |
| DPS (sen)                      | 0.0               | 0.0         | 0.0         | n.m.                | n.m.                | 0.0                | 0.0          | n.m.                |
| <b>Growth &amp; Margin (%)</b> |                   |             |             | <b>+ / (-) ppts</b> | <b>+ / (-) ppts</b> |                    |              | <b>+ / (-) ppts</b> |
| Operating Profit Margin        | 4.9               | 6.5         | 5.8         | (1.0)               | (1.7)               | 7.3                | 6.9          | 0.4                 |
| PBT Margin                     | 2.6               | 4.5         | 3.0         | (0.4)               | (1.9)               | 5.2                | 4.5          | 0.7                 |
| Core PATANCI Margin            | 1.9               | 2.6         | 1.6         | 0.4                 | (0.7)               | 3.3                | 2.7          | 0.5                 |
| <b>Ratios &amp; Valuation</b>  |                   |             |             | <b>+ / (-) ppts</b> | <b>+ / (-) ppts</b> |                    |              | <b>+ / (-) ppts</b> |
| Net debt/total equity (%)      | 0.3               | 0.3         | 0.4         | (0.1)               | (0.0)               | 0.3                | 0.4          | (0.1)               |
| Effective tax rate (%)         | 27.4              | 39.1        | 52.2        | (24.8)              | (11.7)              | 27.4               | 52.2         | (24.8)              |

Source: Company, MIDFR

### Aeon Co: Breakdown by operating segment

| FYE Dec (RM'm)                     | Quarterly results |                |              |                     |                     | Cumulative results |                |                     |
|------------------------------------|-------------------|----------------|--------------|---------------------|---------------------|--------------------|----------------|---------------------|
|                                    | 3QFY24            | 2QFY24         | 3QFY23       | YoY (%)             | QoQ (%)             | 9MFY24             | 9MFY23         | YoY (%)             |
| <b>Revenue (External):</b>         |                   |                |              |                     |                     |                    |                |                     |
| Retailing                          | 822.1             | 836.8          | 789.9        | 4.1                 | (1.8)               | 2,639.4            | 2,595.3        | 1.7                 |
| PMS                                | 180.9             | 184.1          | 166.0        | 9.0                 | (1.7)               | 551.9              | 500.4          | 10.3                |
| <b>Total</b>                       | <b>1,003.0</b>    | <b>1,020.9</b> | <b>955.9</b> | <b>4.9</b>          | <b>(1.8)</b>        | <b>3,191.3</b>     | <b>3,095.7</b> | <b>3.1</b>          |
| <b>Operating Profit:</b>           |                   |                |              |                     |                     |                    |                |                     |
| Retailing                          | 46.0              | 54.2           | (5.7)        | (907.0)             | (15.1)              | 154.2              | 66.1           | 133.3               |
| PMS                                | 219.0             | 147.8          | 76.3         | 187.0               | 48.2                | 434.8              | 259.5          | 67.6                |
| <b>Total</b>                       | <b>265.0</b>      | <b>202.0</b>   | <b>70.6</b>  | <b>275.4</b>        | <b>31.2</b>         | <b>589.0</b>       | <b>325.6</b>   | <b>80.9</b>         |
| <b>Operating profit margin (%)</b> |                   |                |              | <b>+ / (-) ppts</b> | <b>+ / (-) ppts</b> |                    |                | <b>+ / (-) ppts</b> |
| Retailing                          | 5.6               | 6.5            | (0.7)        | 6.3                 | (0.9)               | 5.8                | 2.5            | 3.3                 |
| PMS                                | 121.1             | 80.3           | 46.0         | 75.1                | 40.8                | 78.8               | 51.9           | 26.9                |
| <b>Total</b>                       | <b>26.4</b>       | <b>19.8</b>    | <b>7.4</b>   | <b>19.0</b>         | <b>6.6</b>          | <b>18.5</b>        | <b>10.5</b>    | <b>7.9</b>          |

Source: Company, MIDFR

PMS = Property Management services

## FINANCIAL SUMMARY

| Income Statement (RM'm)       | 2022A          | 2023A          | 2024F          | 2025F          | 2026F          |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>                | <b>4,141.1</b> | <b>4,129.0</b> | <b>4,132.1</b> | <b>4,165.1</b> | <b>4,201.2</b> |
| Net Purchases                 | (2,424.9)      | (2,330.3)      | (2,355.3)      | (2,362.2)      | (2,370.8)      |
| <b>Gross Profit</b>           | <b>1,716.2</b> | <b>1,798.8</b> | <b>1,776.8</b> | <b>1,802.8</b> | <b>1,830.4</b> |
| Changes in inventories        | 4.3            | (52.1)         | 14.5           | 1.7            | 2.1            |
| Other operating income        | 36.8           | 44.9           | 45.0           | 45.3           | 45.7           |
| Staff costs                   | (389.6)        | (394.8)        | (408.7)        | (423.1)        | (438.0)        |
| Operating expenses            | (605.4)        | (683.6)        | (704.6)        | (685.4)        | (694.8)        |
| <b>EBITDA</b>                 | <b>762.4</b>   | <b>713.2</b>   | <b>722.9</b>   | <b>741.4</b>   | <b>745.4</b>   |
| <b>EBIT</b>                   | <b>323.1</b>   | <b>289.6</b>   | <b>322.1</b>   | <b>344.8</b>   | <b>355.6</b>   |
| Profit before tax (PBT)       | 211.5          | 193.9          | 230.0          | 252.6          | 262.8          |
| <b>Profit After tax (PAT)</b> | <b>111.2</b>   | <b>114.8</b>   | <b>138.0</b>   | <b>151.6</b>   | <b>157.7</b>   |
| <b>Core PATANCI</b>           | <b>131.3</b>   | <b>127.6</b>   | <b>138.0</b>   | <b>151.6</b>   | <b>157.7</b>   |
| Core EPS (sen)                | 9.3            | 9.1            | 9.8            | 10.8           | 11.2           |
| DPS (sen)                     | 4.0            | 4.0            | 4.0            | 4.3            | 4.5            |

| FYE DEC (RM'm)                       | 2022A          | 2023A          | 2024A          | 2025F          | 2026F          |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Property, plant and equipment        | 2,951.7        | 3,090.2        | 3,022.2        | 2,999.2        | 2,962.4        |
| Intangible assets                    | 51.8           | 39.3           | 39.5           | 39.7           | 39.9           |
| <b>Total Non-current assets</b>      | <b>4,472.6</b> | <b>4,454.4</b> | <b>4,364.7</b> | <b>4,343.8</b> | <b>4,311.8</b> |
| Inventories                          | 605.5          | 553.4          | 567.9          | 569.5          | 571.6          |
| ST - Trade and other receivables     | 93.6           | 98.1           | 98.1           | 98.9           | 99.7           |
| Cash and cash equivalents            | 237.5          | 99.8           | 247.9          | 264.9          | 275.2          |
| <b>Total current assets</b>          | <b>953.7</b>   | <b>769.2</b>   | <b>930.3</b>   | <b>949.8</b>   | <b>963.2</b>   |
| <b>Total Assets</b>                  | <b>5,426.3</b> | <b>5,223.5</b> | <b>5,295.0</b> | <b>5,293.6</b> | <b>5,275.0</b> |
| <b>Total Equity</b>                  | <b>1,807.0</b> | <b>1,859.0</b> | <b>1,928.0</b> | <b>2,010.6</b> | <b>2,105.3</b> |
| LT Loans and borrowings              | 50.0           | 370.0          | 355.2          | 348.1          | 344.6          |
| <b>Total Non-current liabilities</b> | <b>1,699.2</b> | <b>1,865.0</b> | <b>1,807.0</b> | <b>1,758.3</b> | <b>1,714.6</b> |
| ST Trade and other payables          | 1,214.0        | 1,185.7        | 1,188.9        | 1,192.4        | 1,196.8        |
| ST Loans and borrowings              | 447.8          | 50.0           | 48.0           | 47.0           | 46.6           |
| <b>Total Current Liabilities</b>     | <b>1,920.1</b> | <b>1,499.5</b> | <b>1,560.0</b> | <b>1,524.6</b> | <b>1,455.2</b> |
| <b>Total Liabilities</b>             | <b>3,619.3</b> | <b>3,364.5</b> | <b>3,367.0</b> | <b>3,283.0</b> | <b>3,169.8</b> |

| Cash Flow (RM'm)           | 2022A        | 2023A          | 2024A        | 2025F        | 2026F        |
|----------------------------|--------------|----------------|--------------|--------------|--------------|
| Pretax profit              | 211.5        | 193.9          | 194.3        | 252.6        | 262.8        |
| Cash flow from operations  | 704.7        | 629.9          | 406.6        | 491.7        | 469.8        |
| Cash flow from investing   | (111.9)      | (367.3)        | (274.2)      | (366.4)      | (348.4)      |
| Cash flow from financing   | (548.9)      | (400.3)        | (122.6)      | (108.3)      | (111.1)      |
| <b>Net cash flow</b>       | <b>43.9</b>  | <b>(137.6)</b> | <b>9.8</b>   | <b>17.0</b>  | <b>10.3</b>  |
| (+/-) Adjustments          | 0.0          | 0.0            | 0.0          | 0.0          | 0.0          |
| <b>Net cash/(debt) b/f</b> | <b>193.6</b> | <b>237.5</b>   | <b>99.8</b>  | <b>247.9</b> | <b>264.9</b> |
| <b>Net cash/(debt) c/f</b> | <b>237.5</b> | <b>99.8</b>    | <b>247.9</b> | <b>264.9</b> | <b>275.2</b> |

| Key Metrics               | 2022A | 2023A | 2024A | 2025F | 2026F |
|---------------------------|-------|-------|-------|-------|-------|
| Effective tax rate (%)    | 47.4  | 40.8  | 40.0  | 40.0  | 40.0  |
| PER (x)                   | 18.4  | 17.8  | 15.3  | 13.9  | 13.4  |
| Net debt/total equity (%) | 0.1   | 0.2   | 0.1   | 0.1   | 0.1   |
| Cash/share (sen)          | 0.5   | 0.4   | 0.3   | 0.3   | 0.3   |

| Profitability Margins   | 2022A | 2023A | 2024A | 2025F | 2026F |
|-------------------------|-------|-------|-------|-------|-------|
| Gross Profit Margin (%) | 41.4  | 43.6  | 43.0  | 43.3  | 43.6  |
| EBITDA Margin (%)       | 18.4  | 17.3  | 17.5  | 17.8  | 17.7  |
| EBIT Margin (%)         | 7.8   | 7.0   | 7.8   | 8.3   | 8.5   |
| Core PATANCI Margin (%) | 3.2   | 3.1   | 3.3   | 3.6   | 3.8   |

Source: Bloomberg, 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 prices are 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 prices are 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. |

##### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

|     |  |
|-----|--|
| ☆☆☆ | Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell      |
| ☆☆  | Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell   |
| ☆   | Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆   | Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell   |

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology