

Aeon Thana Sinsap (Thailand) (AEONTS TB)

Concerns Over Potential Repeat Of Peer's Vicious Circle

Highlights

- Negative tone during the analyst meeting.
- AEONTS plans to adjust the loan mix towards higher yield products.
- Downgrade to SELL with a lower target price of Bt92.00 (from Bt110.00).

Analysis

- **Negative tone during the analyst meeting.** We came away from Aeon Thana Sinsap (Thailand)'s (AEONTS) analyst meeting on 8 Jan 26 with a negative view. We are concerned about the company's direction towards expanding hire-purchase (HP) loans, especially in motorcycles.
- **Plans to adjust the loan mix towards higher yield products.** Management reiterated that the company will prioritise asset quality rather than loan growth. However, the company did not clarify adequately which segment or products that NPL uptick in 3QFY26 came from. Moreover, the company plans to change the portfolio mix to gain more exposure to higher-margin products to enhance the yield and bottom line.
- **We are concerned about the possibility of repeating a vicious cycle.** After attending the meeting, we reiterate our concern on credit costs and the asset quality outlook. Another concern was management's guidance on the company changing the loan mix to grow the HP portfolio especially on motorcycles. We are very concerned as we have seen Srisawad Corporation (SAWAD) suffer, freeze its portfolio, and cure asset quality issues arising from these loan products. Meanwhile, Muangthai Capital (MTC) spent a long time fixing this issue before showing a good asset quality currently.
- **Set special provisioning in 3QFY26, but will be reversed.** In 3QFY26, the company set aside special provisioning or management overlay of Bt174m (vs total provision expenses of Bt1.98b) to cushion against many uncertainties, mainly from the flooding in the south. The current management overlay is Bt678m. Management guides a possibility of reversing the provision in 4QFY26 as the situation is anticipated to be better than expected.
- **Plans to sell written-off receivables in 4QFY26.** Management guided that the company plans to sell the outstanding written-off receivables of around Bt3b in 4QFY26. This sale should occur annually from now on.

Key Financials

| Year to 28 Feb (Btm) | FY24 | FY25 | FY26F | FY27F | FY28F |
|-------------------------|--------|--------|--------|--------|--------|
| Net interest income | 16,605 | 16,125 | 15,720 | 16,091 | 16,575 |
| Non-interest income | 3,198 | 3,732 | 3,721 | 3,622 | 3,858 |
| Net profit (rep./act.) | 3,259 | 2,860 | 2,835 | 2,997 | 3,060 |
| Net profit (adj.) | 3,259 | 2,860 | 2,835 | 2,997 | 3,060 |
| EPS (Bt) | 13.0 | 11.4 | 11.4 | 12.1 | 12.3 |
| PE (x) | 7.9 | 9.0 | 9.0 | 8.5 | 8.3 |
| P/B (x) | 1.0 | 1.0 | 0.9 | 0.9 | 0.8 |
| Dividend yield (%) | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 |
| Net Interest Margin (%) | 17.9 | 17.9 | 17.6 | 18.1 | 18.4 |
| Cost/income (%) | 42.4 | 44.2 | 42.9 | 43.0 | 43.2 |
| Loan loss cover (%) | 182.8 | 153.8 | 165.0 | 167.0 | 169.0 |
| Consensus net profit | - | - | 3,086 | 3,314 | 3,501 |
| UOBKH/Consensus (x) | - | - | 0.92 | 0.90 | 0.87 |

Source: AEONTS, Bloomberg, UOB Kay Hian

SELL (Downgraded)

| | |
|--------------|----------|
| Share Price | Bt102.50 |
| Target Price | Bt92.00 |
| Upside | -10.2% |
| Previous TP | Bt110.00 |

Analyst(s)

Thanawat Thangchadakorn

thanawat@uobkayhian.co.th

+662 090 3360

Assistant Analyst(s)

Panjarat Thaweesriprasert

Stock Data

| GICS Sector | Financials |
|--------------------------------|------------|
| Bloomberg ticker | AEONTS TB |
| Shares issued (m) | 247.5 |
| Market cap (Btm) | 25,368.8 |
| Market cap (US\$m) | 810.1 |
| 3-mth avg daily t'over (US\$m) | 0.9 |

Price Performance (%)

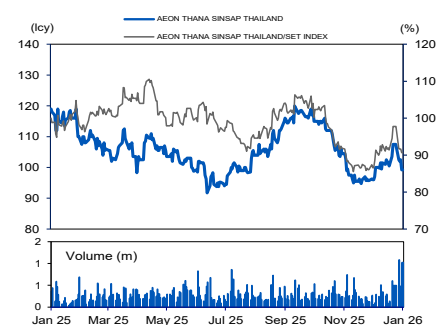
52-week high/low Bt125.00/Bt90.50

| 1mth | 3mth | 6mth | 1yr | YTD |
|------|--------|------|--------|-------|
| 7.0 | (12.4) | 8.2 | (16.7) | (4.7) |

Major Shareholders

| | % |
|--|-------|
| AEON Financial Service Co., Ltd. / Japan | 35.12 |
| ACS Capital Corporation Limited | 19.20 |
| AEON Holdings (Thailand) Co., Ltd | 8.80 |

Price Chart



Source: Bloomberg

Company Description

AEONTS is a non-bank consumer finance operator that mainly provides personal loans and credit cards to customers. The company principally focuses on the middle- to lower-income groups.

- **Anticipates another share buyback programme in FY27.** Management set the long-term ROE target of around 15%. We expect the company to utilise various financial techniques to enhance ROE amid a challenging economic environment to boost the bottom line. We expect AEONTS to maintain its dividend payment but not increase it. We expect another share buyback programme in FY27.
- **3QFY26 results review.** AEONTS posted a 3QFY26 net profit of Bt618m, down 22% yoy and 22% qoq, missing consensus expectations by 14%. Excluding provisioning, the company's pre-provision operating profit rose 1% yoy but dropped 5% qoq.

3QFY26 Results (Sep-Nov 25)

| Year to 28 Feb (Btm) | 3QFY26 | 2QFY26 | 1QFY25 | qoq chg (%) | yoy chg (%) |
|--------------------------------|---------|---------|---------|-------------|-------------|
| Total gross loans | 88,008 | 88,279 | 89,771 | (0.3) | (2.0) |
| Net interest income | 3,884 | 3,905 | 3,971 | (0.5) | (2.2) |
| Non-interest income | 964 | 1,031 | 955 | (6.5) | 0.9 |
| Loan loss provision | (1,981) | (1,908) | (1,802) | 3.8 | 9.9 |
| Non-Interest Expenses | (2,081) | (2,025) | (2,189) | 2.8 | (5.0) |
| Pre-provision operating profit | 2,767 | 2,911 | 2,736 | (5.0) | 1.1 |
| Net income | 618 | 792 | 789 | (21.9) | (21.6) |
| EPS (Bt) | 2.49 | 3.17 | 3.15 | (21.3) | (21.0) |

Ratio (%)

| | | | |
|------------------------------|-------|-------|-------|
| NPL Ratio | 5.5% | 5.2% | 5.9% |
| Loan loss coverage ratio (%) | 165% | 167% | 152% |
| Net interest margin (NIM %) | 17.6% | 17.6% | 17.5% |
| Credit cost (bp) | 880 | 846 | 785 |
| Cost to income (%) | 43% | 41% | 44% |

Source: AEONTS, UOB Kay Hian

Valuation/Recommendation

- **Downgrade from HOLD to SELL with a lower target price of Bt92.00 (from Bt110.00).** We use the Gordon Growth Model with cost of equity of 13.0% and a long-term growth rate of 2.0%. We roll over the target price to FY27. Our target price implies 0.8x FY27F P/B, which is -1.5SD to its five-year average.

Share Price Catalyst

- Stimulus package(s) to improve domestic spending and repayment.
- Recovery in asset quality.

Environment, Social, Governance (ESG) Updates

CG Report: 5

SET ESG Rating: N/A

Environmental

- **Reducing paper and plastic usage.** The company plans to convince 100% of customers to switch to e-statements in the next 3-5 years.

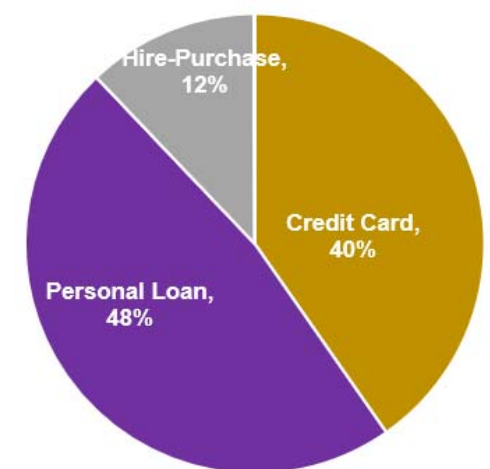
Social

- The company plans to handle complaints and disputes with a satisfaction rate of 85% within the next few years.

Governance

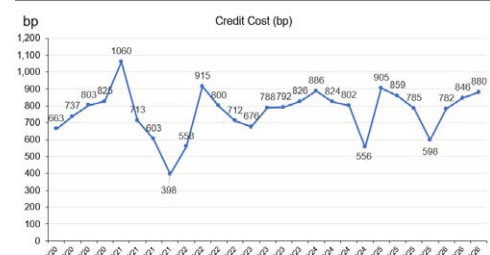
- The number of complaints regarding violations of the company's ethics and policies and incidents of corporate corruption should be less than five in the next 2-3 years.

Loan Portfolio (3QFY26)



Source: AEONTS, UOB Kay Hian

Credit Cost (bp)



Source: AEONTS, UOB Kay Hian

PE Band



Source: AEONTS, UOB Kay Hian

P/B Band



Source: AEONTS, UOB Kay Hian

Profit & Loss

| Year to 28 Feb (Btm) | FY25 | FY26F | FY27F | FY28F |
|----------------------------|---------------|---------------|---------------|---------------|
| Interest income | 18,370 | 17,749 | 17,730 | 18,175 |
| Interest expense | (2,245) | (2,029) | (1,639) | (1,601) |
| Net interest income | 16,125 | 15,720 | 16,091 | 16,575 |
| Fees & commissions | 829 | 862 | 818 | 828 |
| Other income | 2,902 | 2,859 | 2,804 | 3,030 |
| Non-interest income | 3,732 | 3,721 | 3,622 | 3,858 |
| Total income | 19,856 | 19,441 | 19,713 | 20,433 |
| Staff costs | (8,585) | (8,202) | (8,325) | (8,676) |
| Other operating expense | (191) | (144) | (151) | (159) |
| Pre-provision profit | 11,081 | 11,095 | 11,236 | 11,598 |
| Loan loss provision | (7,233) | (7,445) | (7,344) | (7,623) |
| Other provisions | 0 | 0 | 0 | 0 |
| Associated companies | 0 | 0 | 0 | 0 |
| Other non-operating income | 0 | 0 | 0 | 0 |
| Pre-tax profit | 3,848 | 3,650 | 3,893 | 3,975 |
| Tax | (897) | (735) | (779) | (795) |
| Minorities | (90) | (80) | (117) | (120) |
| Net profit | 2,860 | 2,835 | 2,997 | 3,060 |
| Net profit (adj.) | 2,860 | 2,835 | 2,997 | 3,060 |

Operating Ratio

| Year to 28 Feb (Btm) | FY25 | FY26F | FY27F | FY28F |
|--|-------|-------|-------|-------|
| Capital Adequacy | | | | |
| Total assets/equity (x) | 3.5 | 3.3 | 3.1 | 3.0 |
| Tangible assets/tangible common equity (x) | 3.6 | 3.4 | 3.1 | 3.1 |
| Asset Quality | | | | |
| NPL ratio | 5.1 | 5.6 | 5.5 | 5.3 |
| Loan loss coverage | 153.8 | 165.0 | 167.0 | 169.0 |
| Loan loss reserve/gross loans | 8.0 | 8.3 | 8.3 | 8.3 |
| Increase in NPLs | 2.4 | 7.5 | (2.5) | (0.1) |
| Credit cost (bp) | 793 | 826 | 824 | 847 |
| Liquidity | | | | |
| Loan/deposit ratio | 151.6 | 160.0 | 167.0 | 168.1 |
| Liquid assets/short-term liabilities | 6.7 | 6.8 | 7.1 | 7.2 |
| Liquid assets/total assets | 3.9 | 3.8 | 3.8 | 3.8 |

Balance Sheet

| Year to 28 Feb (Btm) | FY25 | FY26F | FY27F | FY28F |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Cash with central bank | 3,571 | 3,434 | 3,377 | 3,502 |
| Govt treasury bills & securities | 0 | 0 | 0 | 0 |
| Interbank loans | 0 | 0 | 0 | 0 |
| Customer loans | 81,808 | 79,956 | 78,485 | 81,638 |
| Investment securities | 0 | 0 | 0 | 0 |
| Derivative receivables | 0 | 0 | 0 | 0 |
| Associates & JVs | 0 | 0 | 0 | 0 |
| Fixed assets (incl. prop.) | 610 | 656 | 511 | 466 |
| Other assets | 5,475 | 5,643 | 5,578 | 5,711 |
| Total assets | 91,464 | 89,689 | 87,952 | 91,317 |
| Interbank deposits | 0 | 0 | 0 | 0 |
| Customer deposits | 0 | 0 | 0 | 0 |
| Derivative payables | 0 | 0 | 0 | 0 |
| Debt equivalents | 58,844 | 55,393 | 52,201 | 53,743 |
| Other liabilities | 5,566 | 6,270 | 6,208 | 6,456 |
| Total liabilities | 64,410 | 61,663 | 58,409 | 60,199 |
| Shareholders' funds | 26,051 | 27,052 | 28,686 | 30,380 |
| Minority interest - accumulated | 636 | 974 | 857 | 737 |
| Total equity & liabilities | 91,097 | 89,689 | 87,952 | 91,317 |

Key Metrics

| Year to 28 Feb (Btm) | FY25 | FY26F | FY27F | FY28F |
|-------------------------------|--------|-------|-------|-------|
| Growth | | | | |
| Net interest income, yoy chg | (2.9) | (2.5) | 2.4 | 3.0 |
| Fees & commissions, yoy chg | (4.1) | 3.9 | (5.1) | 1.3 |
| Pre-provision profit, yoy chg | (2.8) | 0.1 | 1.3 | 3.2 |
| Net profit, yoy chg | (12.2) | (0.9) | 5.7 | 2.1 |
| Net profit (adj.), yoy chg | (12.2) | (0.9) | 5.7 | 2.1 |
| Customer loans, yoy chg | (1.5) | (2.3) | (1.8) | 4.0 |
| Profitability | | | | |
| Net interest margin | 17.9 | 17.6 | 18.1 | 18.4 |
| Cost/income ratio | 44.2 | 42.9 | 43.0 | 43.2 |
| Adjusted ROA | 3.1 | 3.1 | 3.4 | 3.4 |
| Reported ROE | 11.3 | 10.7 | 10.8 | 10.7 |
| Adjusted ROE | 11.3 | 10.7 | 10.8 | 10.7 |
| Valuation | | | | |
| P/BV (x) | 1.0 | 0.9 | 0.9 | 0.8 |
| P/NTA (x) | 101.5 | 96.7 | 91.0 | 85.8 |
| Adjusted P/E (x) | 9.0 | 9.0 | 8.5 | 8.3 |
| Dividend Yield | 5.4 | 5.4 | 5.4 | 5.4 |
| Payout ratio | 48.1 | 48.1 | 45.5 | 44.6 |

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