

# 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

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## 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 (%)

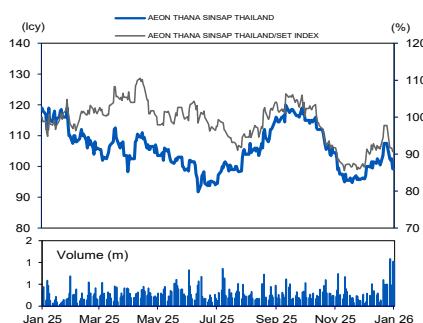
52-week high/low Bt125.00/Bt90.50

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

## Major Shareholders

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.

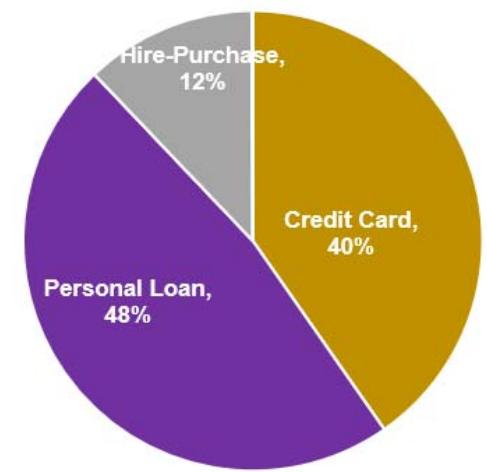
- **Anticipates another share buyback programme in FY27.** Management set the long-term ROE target of around 15%. We expect the company to utilise various financial techniques to enhance ROE amid a challenging economic environment to boost the bottom line. We expect AEONTS to maintain its dividend payment 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 (%)	oy 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%		

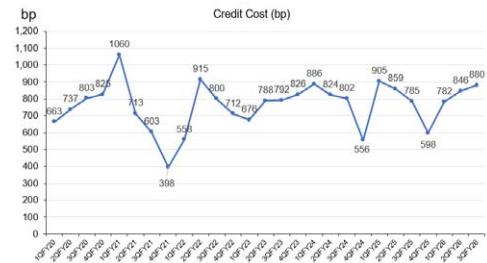
Source: AEONTS, UOB Kay Hian

### Loan Portfolio (3QFY26)



Source: AEONTS, UOB Kay Hian

### Credit Cost (bp)



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.

### 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
<b>Total income</b>	<b>19,856</b>	<b>19,441</b>	<b>19,713</b>	<b>20,433</b>
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)
<b>Net profit</b>	<b>2,860</b>	<b>2,835</b>	<b>2,997</b>	<b>3,060</b>
Net profit (adj.)	2,860	2,835	2,997	3,060

### 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
<b>Total assets</b>	<b>91,464</b>	<b>89,689</b>	<b>87,952</b>	<b>91,317</b>
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
<b>Total liabilities</b>	<b>64,410</b>	<b>61,663</b>	<b>58,409</b>	<b>60,199</b>
Shareholders' funds	26,051	27,052	28,686	30,380
Minority interest - accumulated	636	974	857	737
<b>Total equity &amp; liabilities</b>	<b>91,097</b>	<b>89,689</b>	<b>87,952</b>	<b>91,317</b>

### Operating Ratio

Year to 28 Feb (Btm)	FY25	FY26F	FY27F	FY28F
<b>Capital Adequacy</b>				
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
<b>Asset Quality</b>				
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
<b>Liquidity</b>				
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

### Key Metrics

Year to 28 Feb (Btm)	FY25	FY26F	FY27F	FY28F
<b>Growth</b>				
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
<b>Profitability</b>				
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
<b>Valuation</b>				
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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