Aeon Thana Sinsap (Thailand) (AEONTS TB)

1QFY27: Results Beat; Reversal Of Management Overlay Leads To Credit Cost Declining qoq

BUY (Upgraded)	
Share Price	Bt103.00
Target Price	Bt125.00
Upside	21.4%
Previous TP	Bt104.00

Highlights

- AEONTS posted a 1QFY27 net profit of Bt793m, up 3% yoy down 13% qoq.
- Second share buyback programme to support the share price.
- Upgrade to BUY with a higher target price of Bt125.00 (previous TP: Bt104.00).

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1QFY27 Results (Mar 26-May 26)

Year to 28 Feb (Btm)	1QFY27	4QFY26	1QFY26	qoq chg (%)	yoy chg (%)
Total gross loans	85,374	86,176	88,870	(0.9)	(3.9)
Net interest income	3,713	3,819	3,925	(2.8)	(5.4)
Non-interest income	993	1,262	931	(21.3)	6.6
Loan loss provision	(1,637)	(1,784)	(1,766)	(8.2)	(7.3)
Non-Interest Expenses	(2,080)	(2,178)	(2,078)	(4.5)	0.1
Pre-provision operating profit	2,626	2,903	2,778	(9.5)	(5.5)
Net income	793	912	772	(13.1)	2.7
EPS (Bt)	3.20	3.69	3.09	(13.2)	3.8
Ratio (%)					
NPL Ratio	5.6%	5.6%	5.1%		
Loan loss coverage ratio (%)	169%	169%	162%		
Net interest margin (NIM %)	17.3%	17.5%	17.7%		
Credit cost (bp)	745	800	782		
Cost to income (%)	44%	43%	43%		

Source: AEONTS, UOB Kay Hian

Stock Data

GICS sector	Financials
Bloomberg ticker:	AEONTS TB
Shares issued (m):	247.2
Market cap (Btm):	25,332.9
Market cap (US$m):	756.9
3-mth avg daily t'over (US$m):	1.7

Price Performance (%)

52-week high/low Bt120.0/Bt87.5

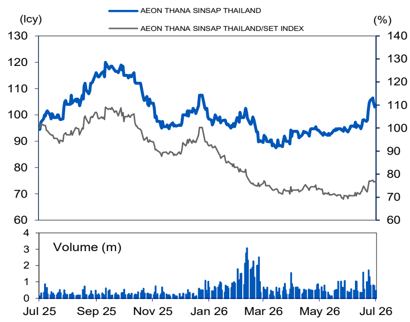
1mth	3mth	6mth	1yr	YTD
9.3	8.8	3.3	9.0	(4.6)

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

Balance Sheet Metrics

FY27 NAV/Share (Bt)	125.9
FY26 Net Debt/Share (Bt)	n.a

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.

Analysis

- **1QFY27 results beat.** Aeon Thana Sinsap (Thailand) (AEONTS) posted a 1QFY27 net profit of Bt793m, up 3% yoy but down 13% qoq, beating our and consensus expectations by 9% and 6%, respectively. The higher-than-expected earnings results was due to a reversal of management overlay that led to a qoq reduction in provisioning. Excluding provisioning, the company's pre-provision operating profit declined 6% yoy and 10% qoq.
- **Absence of gains from sale of written-off receivables drags non-II.** In 4QFY26, AEONTS reported a Bt193m gain from the sale of written-off receivables. The company had previously guided that it would sell written-off receivables annually starting from FY27, we had expected this to happen during every 4Q. In 1QFY27, there was no gain from the sale of written-off receivables, which is in line with our expectations. As a result, non-interest income declined 21% qoq to Bt993m in 1QFY27.

Key Financials

Year to 28 Feb (Btm)	FY25	FY26	FY27F	FY28F	FY29F
Net interest income	16,124.9	15,533.3	15,533.3	16,012.3	16,327.3
Non-Interest Income	3,731.5	4,188.0	4,520.9	4,845.0	5,311.3
Net profit (rep./act.)	2,860.3	3,094.1	3,345.6	3,464.6	3,546.5
Net profit (adj.)	2,860.3	3,094.1	3,345.6	3,464.6	3,546.5
EPS (Bt)	11.4	12.5	13.5	14.0	14.3
PE (x)	9.0	8.2	7.6	7.4	7.2
P/B (x)	1.0	0.9	0.9	0.8	0.8
Dividend yield (%)	4.4	5.1	6.2	6.2	6.4
Net int margin (%)	17.9	17.7	17.8	17.7	17.5
Cost/income Ratio (%)	44.2	42.4	43.1	43.1	42.8
Loan loss cover (%)	153.8	169.1	168.0	168.0	165.0
Consensus net profit	n.a	n.a	3,071.9	3,249.2	3,318.8
UOBKH/Consensus (x)	n.a	n.a	1.1	1.1	1.1

Source: Aeon Thana Sinsap (Thailand) Pcl, Bloomberg, UOB Kay Hian

- **Loan portfolio contracted yoy and qoq in 1QFY27**. AEONTS reported loans outstanding of Bt85.4b in 1QFY27, down 4% yoy and 1% qoq. Gross loans in the credit card portfolio declined 2.2% qoq in 1QFY27, while gross loans in the personal loan portfolio dropped 0.8% qoq. However, the hire-purchase portfolio increased 1.3% qoq during the period. Although we expect AEONTS to maintain a cautious lending policy in FY27, we forecast a flat loan growth in FY27 as the company focuses on preserving a good asset quality. We expect to see signs of loan expansion starting from 2QFY27 due to a better economic outlook, with the Bank of Thailand revising its 2026 GDP forecast upward to 2.3%.
- **Credit costs down qoq.** NPL ratio stabilised qoq at 5.6% in 1QFY27. Meanwhile, AEONTS reported an 8% qoq fall to Bt1.64b in provision expenses in 1QFY27. Credit costs dropped 55bp qoq to 745bp in 1QFY27. The qoq reduction in provisioning in 1QFY27 was supported by the reversal of management overlay that AEONTS has set aside to prepare for potential damages from the southern flood disaster in Nov-Dec 25.
- **Second share buyback programme to support share price**. Currently, AEONTS has repurchased Bt32.6m or 10.9% of the total budget of Bt300m in the second share repurchase programme. The programme will run for six months from 20 Apr 26 to 19 Oct 26. The first buyback programme ended on 19 Nov 25, with AEONTS's share price rising by 13% one and a half months later. Hence, we expect the current share buyback programme to support share price and limit downside.

Valuation/Recommendation

- **Upgrade to BUY with a higher target price of Bt125.00 (previous: Bt104.00).** We use the Gordon Growth Model with cost of equity of 13.0% and a long-term growth rate of 3.0%. Our target price implies 1.1x FY27F P/B, which is slightly above -1SD to its five-year average.

Earnings Revision/Risk

- We revise our FY27-29 earnings forecasts by 9.0%, 8.4%, and 7.5%, respectively. The upward earnings adjustment is due to the improvement in credit costs and the positive surprise in its 1QFY27 results. We also have an optimistic view on the credit cost and asset quality outlook following the Bank of Thailand's upward revision to its 2026 GDP forecast.

Share Price Catalyst

- Stimulus package(s) to improve domestic spending and repayment.
- An increase in dividend payout ratio.

Environment, Social, Governance (ESG) Updates

CG Report: 5
SET ESG Rating: 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.
- **Electrical energy, water, and fuel energy management.** The company is focusing on clean energy consumption.

Social

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

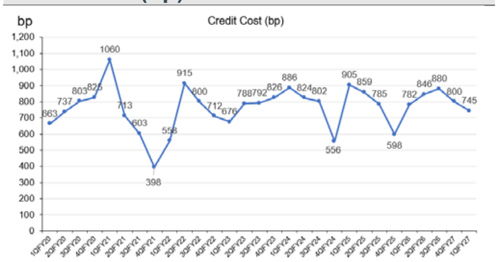
Governance

- 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 (1QFY27)

Source: AEONTS, UOB Kay Hian

Credit Cost (bp)



Source: AEONTS, UOB Kay Hian

PE Band

Source: UOB Kay Hian

P/B Band

Source: UOB Kay Hian

Profit & Loss

Year to 28 Feb (Btm)	FY26	FY27F	FY28F	FY29F
Interest income	17,587	17,185	17,528	17,841
Interest expense	(2,054)	(1,652)	(1,515)	(1,514)
Net interest income/(expense)	15,533	15,533	16,012	16,327
Fees & Commissions	857	1,015	1,247	1,482
Income From Insurance	0	0	0	0
Net Trading Income	0	0	0	0
Other Income	3,331	3,506	3,598	3,829
Non-Interest Income	4,188	4,521	4,845	5,311
Total Income	19,721	20,054	20,857	21,639
Staff Costs	(8,249)	(8,534)	(8,859)	(9,129)
Other Operating Expense	(113)	(118)	(124)	(130)
Pre-Provision Profit	11,359	11,402	11,875	12,379
Loan Loss Provision	(7,439)	(7,276)	(7,617)	(8,020)
Other Provisions	0	0	0	0
Associated Companies	0	0	0	0
Other Non-Operating Income	0	0	0	0
Pre-tax profit	3,920	4,126	4,258	4,359
Tax	(790)	(837)	(852)	(872)
Minorities	(36)	56	58	59
Net profit	3,094	3,346	3,465	3,546
Net profit (adj.)	3,094	3,346	3,465	3,546

Balance Sheet

Year to 28 Feb (Btm)	FY26	FY27F	FY28F	FY29F
Cash With Central Bank	3,682	3,388	3,514	3,632
Govt Treasury Bills & Securities	0	0	0	0
Interbank Loans	0	0	0	0
Customer Loans	78,088	78,353	81,358	84,398
Investment Securities	0	0	0	0
Derivative Receivables	0	0	0	0
Associates & JVs	0	0	0	0
Properties & Other Fixed Assets	779	561	447	405
Goodwill & Intangible Assets	777	799	855	906
Other Assets	4,981	4,918	5,044	5,177
Insurance Fund Investment Assets	0	0	0	0
Total assets	88,307	88,019	91,218	94,518
Interbank Deposits	0	0	0	0
Customer Deposits	0	0	0	0
Bills Payable	52,260	49,495	50,328	51,288
Derivative Payables	0	0	0	0
Debts Securities Issued	0	0	0	0
Subordinated Debts	1,416	2,037	2,276	2,384
Other Liabilities	6,502	6,203	6,393	6,601
Insurance Fund Liabilities	0	0	0	0
Total liabilities	60,178	57,735	58,996	60,273
Shareholders' funds	27,195	29,280	31,160	33,123
Minority interest	934	1,004	1,062	1,121
Total Equity & Liabilities	88,307	88,019	91,218	94,518

Operating Ratios

Year to 28 Feb (Btm)	FY26	FY27F	FY28F	FY29F
Capital Adequacy				
Total Assets/Equity	3	3	3	3
Tangible Assets/Tangible Common Equity	3	3	3	3
Asset Quality				
NPL Ratio	5	6	6	5
Loan Loss Coverage	169	168	168	165
Loan Loss Reserve/Gross Loans	8	8	8	8
Increase in NPLs	3	2	4	2
Credit Cost (bp)	833	822	843	858
Liquidity				
Liquid Assets/Short-Term Liabilities	7	7	7	7
Liquid Assets/Total Assets	4	4	4	4

Key Metrics

Year to 28 Feb (%)	FY26	FY27F	FY28F	FY29F
Growth				
Net Interest Income, yoy Chg	-4%	0%	3%	2%
Fees & Commissions, yoy Chg	3%	18%	23%	19%
Pre-Provision Profit, yoy Chg	3%	0%	4%	4%
Net Profit, yoy Chg	8%	8%	4%	2%
Customer Loans, yoy Chg	-5%	0%	4%	4%
Profitability				
Net Interest Margin	18	18	18	17
Cost/Income Ratio	42	43	43	43
Adjusted ROA	3	4	4	4
Reported ROE	11	11	11	11
Adjusted ROE	11	11	11	11
Valuation				
P/BV	1	1	1	1
P/NTA	1	1	1	1
Adjusted P/E	8	8	7	7
Dividend Yield	5	6	6	6