Aeon Thana Sinsap (Thailand) (AEONTS TB)

Increased Buffer For The Middle East Conflict

BUY (Maintained)	
Share Price	Bt103.00
Target Price	Bt125.00
Upside	21.4%

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Highlights

- Neutral tone during the analyst meeting.
- AEONTS guides for the sale of written-off receivables to happen twice a year.
- Maintain BUY with an unchanged target price of Bt125.00.

Analysis

- **Neutral tone during the analyst meeting.** We came away from Aeon Thana Sinsap (Thailand)'s (AEONTS) analyst meeting with a neutral view. Management has guided for the sale of written-off receivables to take place twice a year (2Q and 4Q), which is the same as last year.
- **Continues to focus on maintaining sound asset quality.** AEONTS remains focused on good asset quality rather than loan growth. The company said that the reduction in expected credit losses (ECL) came from a well-managed loan portfolio and good debt collection. Meanwhile, the reversal of management overlay (MO) has also helped to reduce ECL qoq in 1QFY27.
- **Increased MO to prepare for Middle East conflict.** Management disclosed that the reversal of MO from provisioning for the southern floods in Nov-Dec 25 amounted to Bt150m in 1QFY27. Meanwhile, the current MO stands at Bt370m, comprising: a) Bt140m for the increase in the minimum credit card payment to 10%; and b) Bt230m for the Middle East conflict (vs Bt100m in 4QFY26).
- **No signs of asset quality deterioration qtd.** AEONTS believes the current MO is adequate for future uncertainties. The company believes that the current environment is manageable and is focusing on screening and debt collection. During June and July 26, management did not see any negative signs for credit cost outlook and asset quality.
- **A potential reversal MO for ME conflict would be a positive surprise.** We are positive on the Bt130m increase in MO for the Middle East conflict by from the previous quarter, as this allows AEONTS to have more buffer for uncertainties. However, in case of a mild impact from the Middle East conflict, we might see a reversal of MO for the Middle East conflict in the future, which will be a potential positive surprise.

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

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)

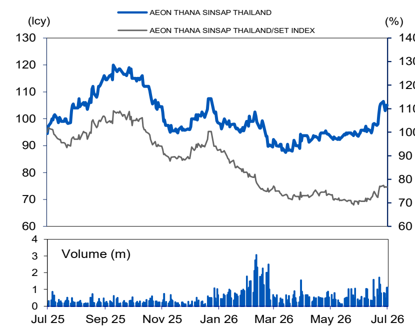
Major Shareholders

	%
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.

- **AEONTS plan to increase ROE by improving the core business.** AEONTS has set a target ROE at 15% in its medium-term plan. However, the increase in ROE should be driven by an improvement in the core business. Hence, there is a lower possibility of an increase in dividend payout ratio anytime soon.
- **1QFY27 results recap.** 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 company's pre-provision operating profit declined 6% yoy and 10% qoq.

1QFY27 Results recap (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

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of Bt125.00.** 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

- No earnings revision.

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

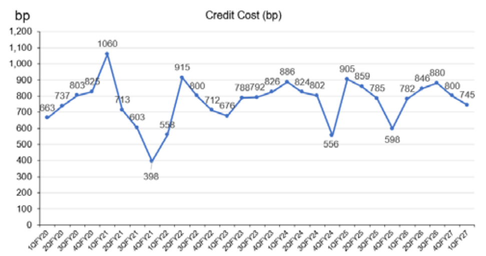
Governance

- 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