

Aeon Thana Sinsap (Thailand) (AEONTS TB)

Two More Quarters Required To Resolve HP Portfolio Asset Quality Issues

Highlights

- Neutral tone during the analyst meeting.
- The Bangkok flooding should not have much of an impact on AEONT.
- Maintain HOLD with an unchanged target price of Bt98.00.

Analysis

- **Neutral tone during the analyst meeting.** We came away from Aeon Thana Sinsap (Thailand)'s (AEONTS) analyst meeting with a neutral view. Management remains prudent in its lending policy amid asset quality concerns in hire purchase and a weakening economic environment. However, the company shifted its lending mix toward higher yield products, which are personal loans. Management guided for another sale of written-off receivables in 2HFY27, which we expect to occur in 4QFY27.
- **Deterioration in HP portfolio asset quality expected to be resolved in next two quarters.** The deterioration in asset quality came from both the domestic hire purchase portfolio and Cambodia's portfolio. The company has suspended new used-car HP applications in Thailand to address the asset quality issue, which management expects to be resolved within the next two quarters. Cambodian subsidiaries currently continue to be reported under consolidation, although AEONTS has waived its pre-emptive rights to subscribe to newly issued shares of AEON Specialized Bank (Cambodia), resulting in a decrease in its shareholding from 50.0% to 43.01%.
- **Not much impact from flooding.** The company has a well-diversified portfolio in terms of location and has been minimally impacted by the flooding in Bangkok and vicinity in late-Sep 26. However, the company is unable to evaluate the full impact as yet. AEONTS is not expecting a significant impact from the flooding. It has also launched debt holidays for its clients.
- **No guarantee of sustained dividend interim payment.** AEONTS has announced an interim dividend payment of Bt3.00. However, this increase is due to AEONTS' anniversary celebration, and the company remains committed to its dividend policy of 30%. We expect AEONTS to maintain its interim dividend payment at Bt3.00 going forward.

Key Financials

Year to 28 Feb (Btm)	FY25	FY26	FY27F	FY28F	FY29F
Net interest income	16,124.9	15,533.3	14,773.8	15,094.2	15,378.9
Non-Interest Income	3,731.5	4,188.0	4,373.1	4,431.0	4,586.8
Net profit (rep./act.)	2,860.3	3,094.1	2,832.0	3,056.9	3,284.1
Net profit (adj.)	2,860.3	3,094.1	2,832.0	3,056.9	3,284.1
EPS (Bt)	11.4	12.5	11.5	12.4	13.3
PE (x)	7.9	7.2	7.9	7.3	6.8
P/B (x)	0.9	0.8	0.8	0.7	0.7
Dividend yield (%)	4.4	5.1	6.6	6.6	7.1
Net int margin (%)	17.9	17.7	17.1	17.2	17.5
Cost/income Ratio (%)	44.2	42.4	43.1	43.0	42.8
Loan loss cover (%)	153.8	169.1	168.5	171.2	175.0
Consensus net profit	n.a	n.a	3,085.8	3,248.9	3,390.0
UOBKH/Consensus (x)	n.a	n.a	0.9	0.9	1.0

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

Analyst(s)

Thanawat Thangchadakorn

thanawat@uobkh.co.th

+662 090 3360

HOLD (Maintained)

Share Price	Bt90.25
Target Price	Bt98.00
Upside	8.6%

Stock Data

Sector	Financials
Bloomberg ticker	AEONTS TB
Shares issued (m)	246.3
Market cap (Btm)	22,226.9
Market cap (US\$m)	659.6
3-mth avg daily t'over (US\$m)	1.8

Price Performance (%)

52-week high/low				Bt118.5/Bt87.5
1mth	3mth	6mth	1yr	YTD
(8.4)	(13.6)	1.4	(22.9)	(16.0)

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

FY26 NAV/Share (Bt)	122.4
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..

- **Current management overlay is expected to provide an adequate buffer against uncertainty.** The increase in provisioning mainly reflects the asset quality adjustment in the domestic HP business and the loan portfolio in Cambodia, including one-time expenses in asset management companies (AMC) business. Currently, management overlay (MO) remains unchanged from the previous quarter's Bt370m. The MO comprises two parts" a) Bt140m, for the increase in minimum payment for credit cards from 8% to 10%, and b) the buffer against geopolitical uncertainty. Management guides that the MO could potentially be reversed in the future, or that the amount reversed could instead be used to offset the impact of flooding. Hence, there should not be any additional MO in the next few quarters.
- **2QFY27 results recap.** AEONTS posted a 2QFY27 net profit of Bt642m, down 19% yoy and 19% qoq, missing our and consensus expectations by 8% and 18%, respectively. Although there was a gain from sales of written-off receivables in this quarter, the higher provisioning dragged the bottom line. Excluding provisioning, the company's pre-provision operating profit declined by 4% yoy but increased by 6% qoq.

2QFY27 Results Recap (Jun-Aug 26)

Year to 28 Feb (Btm)	2QFY27	1QFY27	2QFY25	qoq chg (%)	yoy chg (%)
Total gross loans	84,415	85,374	88,279	(1.1)	(4.4)
Net interest income	3,576	3,713	3,905	(3.7)	(8.4)
Non-interest income	1,108	993	1,031	11.6	7.5
Loan loss provision	(2,061)	(1,637)	(1,908)	25.9	8.0
Non-Interest Expenses	(1,900)	(2,080)	(2,025)	(8.7)	(6.2)
Pre-provision operating profit	2,784	2,626	2,911	6.0	(4.3)
Net income	642	793	792	(19.0)	(18.8)
EPS (Bt)	2.60	3.20	3.17	(18.9)	(17.9)
Ratio (%)					
NPL Ratio	5.9%	5.6%	5.2%		
Loan loss coverage ratio (%)	166%	169%	167%		
Net interest margin (NIM %)	16.8%	17.3%	17.6%		
Credit cost (bp)	948	745	846		
Cost to income (%)	41%	44%	41%		

Source: AEONTS, UOB Kay Hian

Valuation/Recommendation

- **Maintain HOLD with a target price of Bt98.00.** We use the Gordon Growth Model with a cost of equity of 13.0% and a long-term growth rate of 3.0%. Our target price implies 0.84x FY27F P/B, which is slightly below -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.

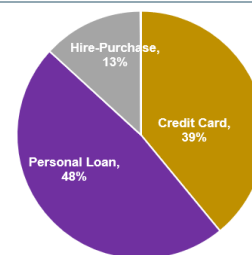
Social

- 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

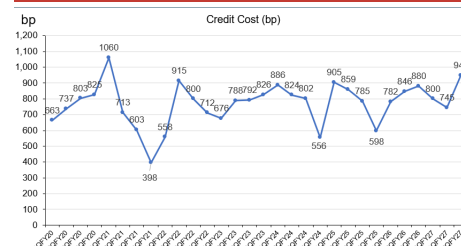
- The number of complaints regarding violations of the company's ethics and policies and incidents of corporate corruption should be less than five in the next 2-3 years.

Loan Portfolio (2QFY27)



Source: AEONTS, UOB Kay Hian

Credit Cost (bp)



Source: AEONTS, UOB Kay Hian

PE Band



Profit & Loss

Year to 28 Feb (Btm)	FY26	FY27F	FY28F	FY29F
Interest income	17,587	16,474	16,535	16,798
Interest expense	(2,054)	(1,700)	(1,440)	(1,419)
Net interest income/(expense)	15,533	14,774	15,094	15,379
Fees & Commissions	857	803	801	801
Income From Insurance	0	0	0	0
Net Trading Income	0	0	0	0
Other Income	3,331	3,570	3,631	3,786
Non-Interest Income	4,188	4,373	4,431	4,587
Total Income	19,721	19,147	19,525	19,966
Staff Costs	(8,249)	(8,155)	(8,290)	(8,421)
Other Operating Expense	(113)	(105)	(110)	(116)
Pre-Provision Profit	11,359	10,887	11,125	11,428
Loan Loss Provision	(7,439)	(7,600)	(7,679)	(7,726)
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	3,287	3,446	3,702
Tax	(790)	(669)	(689)	(740)
Minorities	(36)	213	300	322
Net profit	3,094	2,832	3,057	3,284
Net profit (adj.)	3,094	2,832	3,057	3,284

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	6
Loan Loss Coverage	169	168	171	175
Loan Loss Reserve/Gross Loans	8	9	9	9
Increase in NPLs	3	6	3	(2)
Credit Cost (bp)	833	868	873	877
Liquidity				
Liquid Assets/Short-Term Liabilities	7	7	7	8
Liquid Assets/Total Assets	4	4	4	4

Balance Sheet

Year to 28 Feb (Btm)	FY26	FY27F	FY28F	FY29F
Cash With Central Bank	3,682	3,316	3,405	3,327
Govt Treasury Bills & Securities	0	0	0	0
Interbank Loans	0	0	0	0
Customer Loans	78,088	76,129	78,122	76,095
Investment Securities	0	0	0	0
Derivative Receivables	0	0	0	0
Associates & JVs	0	0	0	0
Properties & Other Fixed Assets	779	510	321	243
Goodwill & Intangible Assets	777	768	746	735
Other Assets	4,981	4,719	4,804	4,709
Insurance Fund Investment Assets	0	0	0	0
Total assets	88,307	85,443	87,398	85,109
Interbank Deposits	0	0	0	0
Customer Deposits	0	0	0	0
Bills Payable	52,260	48,437	48,398	44,160
Derivative Payables	0	0	0	0
Debts Securities Issued	0	0	0	0
Subordinated Debts	1,416	1,575	1,672	1,647
Other Liabilities	6,502	5,702	5,724	5,574
Insurance Fund Liabilities	0	0	0	0
Total liabilities	60,178	55,713	55,794	51,381
Shareholders' funds	27,195	28,683	30,257	32,059
Minority interest	934	1,046	1,346	1,669
Total Equity & Liabilities	88,307	85,443	87,397	85,109

Key Metric

Year to 28 Feb (%)	FY26	FY27F	FY28F	FY29F
Growth				
Net Interest Income, yoy Chg	0	0	0	0
Fees & Commissions, yoy Chg	0	0	0	0
Pre-Provision Profit, yoy Chg	0	0	0	0
Net Profit, yoy Chg	0	0	0	0
Customer Loans, yoy Chg	0	0	0	0
Profitability				
Net Interest Margin	18	17	17	17
Cost/Income Ratio	42	43	43	43
Adjusted ROA	3	3	4	4
Reported ROE	11	10	10	10
Adjusted ROE	11	10	10	10
Valuation				
P/BV	1	1	1	1
P/NTA	1	1	1	1
Adjusted P/E	7	8	7	7
Dividend Yield	5	7	7	7

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