AEON Co. (M)

Boosted by Double Festive Spending

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AEON's 1QFY25 results beat expectations, although the driver of the 18% YoY improvement in core net profit was the earnings jump from property management services (PMS) segment (+28%), with back-to-back festive spending only marginally lifting its retailing business. Strategic mall refurbishments and tenant mix optimisation efforts continued to support resilient earnings beyond seasonality. As such, we raise our FY25-26F earnings forecasts by 5-4% and lift our TP by 6% to RM1.59 (from RM1.50). That said, we expect some earnings moderation starting from the 2Q as post-festive normalisation sets in. Reiterate MARKET PERFORM.

AEON's 1QFY25 core net profit of RM68.1m came in above expectations at 48% and 43% of our full-year forecast and the full-year consensus estimate, respectively. The key variance against our forecast largely came from better-than-expected margins, particularly the PMS segment. As expected, no dividend was declared during the quarter.

YoY, 1QFY25 revenue rose 7% led by growth in both retail (+6%) and PMS (+9%) divisions amidst double festive boosts of Chinese New Year and Hari Raya. Retail sales benefitted from stronger spending on food and apparel, but the bigger percentage gain was in PMS that saw improved occupancy, effective tenancy renewals, and higher commissions from strong tenant sales during festive season. Its core net profit grew 18% YoY driven by higher revenue and effective cost control, with PMS profit up 28% (c.80% of FY24 EBIT). We reckon that reopening of AEON Bandar Puchong, Bukit Indah, Ipoh Station 18 and new food and lifestyle zone at Tebrau City also supported post-refurbishment momentum.

QoQ, 1QFY25 top line improved 16% on seasonally stronger retail (+18%) and PMS (+10%) sales during the festive period. Its bottom line surged 46% lifted by higher sales and greater cost efficiency, with margins improving from 4.4% to 5.5%. Note that 4QFY24 core net profit excluded RM22.6m in one-off litigation-related costs.

Outlook. While 1Q performance was seasonally strong, we believe post-festive normalisation is likely in the 2Q, especially with consumer sentiment weighed down by cost-of-living concerns ahead of the RON95 subsidy rationalisation. Nonetheless, PMS-led growth should remain resilient, supported by ongoing mall rejuvenations typically scheduled during 2Q and 3Q. Key projects in the pipeline include the expansion and redevelopment of AEON Mall Kinta City (targeted for completion in three years) and a new two-storey connecting mall adjacent to AEON Mall Seremban 2.

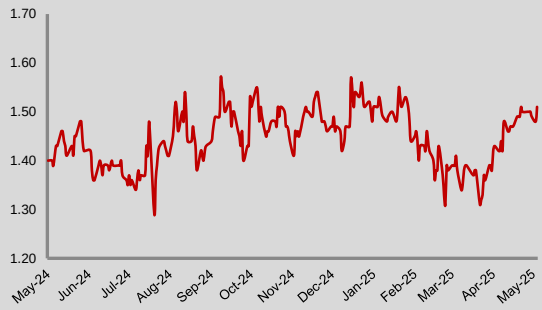
Forecasts. We raise our FY25F and FY26F earnings by 5% and 4%, respectively, to mainly account for better PMS performance driven by ongoing mall upgrades. We also revise up our FY25-26F DPS to 5.0 sen and 5.5 sen (both from 4.0 sen), in line with the historical pay-out ratio of close to 50%.

Valuations. Correspondingly, we lift our TP by 6% to RM1.59 (from RM1.50), while keeping an unchanged 15x FY25F PER, in line with the departmental store/apparel sector's average historical forward PER. There is no adjustment to our TP based on ESG given a 3.5-star rating as appraised by us (see Page 4).

MARKET PERFORM ↔

Price:	**RM1.51**
Target Price:	**RM1.59 ↑**

Share Price Performance



KLCI	1,548.87
YTD KLCI chg	-5.7%
YTD stock price chg	-3.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	AEON MK EQUITY
Market Cap (RM m)	2,120.0
Shares Outstanding	1,404.0
52-week range (H)	1.61
52-week range (L)	1.24
3-mth avg. daily vol.	1,133,974
Free Float	38%
Beta	0.8

Major Shareholders

Aeon Co Ltd	52.0%
Employees Provident Fund Board	6.2%
Amanah Saham Nasional Bhd	4.9%

Summary Earnings Table

FYEDec (RMm)	2024A	2025F	2026F
Turnover	4,262	4,373	4,471
PBT	208	242	261
Net Profit (NP)	128	150	162
Core NP	151	150	162
Consensus (NP)	-	160	174
Earnings Revision	-	+5%	+4%
EPS (sen)	10.7	10.7	11.5
EPS Growth (%)	31	-1	8
NDPS (sen)	4.5	5.0	5.5
BVPS (RM)	1.38	1.44	1.50
PER (x)	14.1	14.2	13.1
PBV (x)	1.1	1.1	1.0
Net Gearing (x)	1.0	0.9	0.8
Net Div. Yield (%)	3.0	3.3	3.6

Investment case. We like AEON due to: (i) its ongoing mall refurbishments, which have led to sustained occupancy rates and favourable rental renewals for its property management services division, (ii) its strategic expansion of private-label offerings to enhance retail margins, and (iii) its digital transformation, particularly, the introduction of self-checkout for customers, that will result in cost savings. Maintain **MARKET PERFORM**.

Risks to our call include: (i) increased competition from both existing and emerging players, (ii) prolonged high inflation that may erode consumer spending power, and (iii) the ongoing shift towards online shopping, moving away from traditional in-person shopping.

Results Highlights

FYE Dec (RM m)	1QFY25	4QFY24	QoQ Chg	1QFY24	YoY Chg
Revenue	1,244.8	1,070.2	16%	1,167.4	7%
EBITDA	241.6	168.9	43%	220.8	9%
EBIT	133.4	61.8	116%	117.0	14%
PBT	110.7	41.5	167%	94.8	17%
Taxation	42.6	17.5	143%	37.3	14%
Net Profit	68.1	24.0	184%	57.5	18%
Core Net Profit	68.1	46.6	46%	57.5	18%
EPS (sen)	4.9	1.7	184%	4.1	18%
DPS (sen)	0.0	4.5	-100%	0.0	N.A.
EBITDA Margin (%)	19.4	15.8		18.9	
EBIT Margin (%)	10.7	5.8		10.0	
PBT Margin (%)	8.9	3.9		8.1	
CNP Margin (%)	5.5	4.4		4.9	
Effective Tax Rate (%)	38.5	42.2		39.3	

Source: Company, Kenanga Research

Segment Breakdown

FYE Dec (RM m)	1QFY25	4QFY24	QoQ Chg	1QFY24	YoY Chg
Revenue					
Retailing Business	1,040.4	885.1	18%	980.5	6%
Property Management Services	204.4	185.1	10%	186.9	9%
Total	**1,244.8**	**1,070.2**	**16%**	**1,167.4**	**7%**
EBIT (ex. unallocated expenses)					
Retailing Business	54.4	29.8	83%	54.0	1%
Property Management Services	86.9	63.4	37%	68.0	28%
Total	**141.3**	**93.2**	**52%**	**122.0**	**16%**
EBIT Margin					
Retailing Business	5.2%	3.4%		5.5%	
Property Management Services	42.5%	34.3%		36.4%	
Total	**11.4%**	**8.7%**		**10.5%**	

Source: Company, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
CONSUMER																	
AEON CO. (M) BHD	MP	1.51	1.59	5.3%	2,120.0	Y	12/2025	10.7	11.5	-0.7%	8.0%	14.2	13.1	1.1	7.6%	5.0	3.3%
FARM FRESH BHD	OP	1.85	2.10	13.5%	3,470.1	Y	03/2025	5.6	7.5	65.4%	33.6%	33.0	24.7	4.6	14.7%	2.0	1.1%
FRASER & NEAVE HOLDINGS BHD	OP	26.28	29.80	13.4%	9,638.9	Y	09/2025	157.7	169.6	2.5%	7.5%	16.7	15.5	2.5	15.5%	75.0	2.9%
MR D.I.Y. GROUP (M) BHD	OP	1.55	1.80	16.1%	14,678.7	Y	12/2025	7.0	7.8	14.5%	12.4%	22.3	19.8	7.0	33.6%	4.0	2.6%
NESTLE (MALAYSIA) BHD	MP	80.26	79.10	-1.4%	18,821.0	Y	12/2025	197.8	231.6	16.0%	17.1%	40.6	34.7	27.3	68.2%	190.0	2.4%
PADINI HOLDINGS BHD	MP	2.02	2.10	4.0%	1,993.5	Y	06/2025	12.7	15.8	-15.1%	24.2%	15.9	12.8	1.7	10.8%	11.0	5.4%
POWER ROOT BHD	MP	1.43	1.30	-9.1%	606.6	Y	03/2025	7.5	8.5	-15.9%	13.7%	19.1	16.8	1.9	10.0%	6.0	4.2%
QL RESOURCES BHD	MP	4.59	4.60	0.2%	16,754.9	Y	03/2025	13.3	14.2	10.8%	6.7%	34.5	32.4	5.1	16.9%	5.0	1.1%
KAREX BHD	OP	0.800	1.07	33.8%	842.8	Y	06/2025	2.0	4.3	-12.0%	118.9%	40.9	18.7	1.7	4.2%	1.0	1.3%
SECTOR AGGREGATE					**68,926.5**					**9.0%**	**13.1%**	**26.3**	**23.2**	**4.7**	**17.8%**		**2.7%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★	☆	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Product Quality & Safety	★	★	★	☆	
	Effluent & Waste Management	★	★	★	☆	
	Digitalisation & Innovation	★	★	★	★	
	Use of Biodegradable Materials	★	★	★		
	Supply Chain Management	★	★	★	☆	
	Energy Efficiency	★	★	★	☆	
	OVERALL	★	★	★	☆	

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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