

27 February 2026

## AEON Co. (M)

### Resilient Malls to Anchor Growth

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AEON's FY25 results met our expectations but missed consensus estimate. FY25 core net profit fell 11% YoY as retail weakness (-70%) offset the 17% profit growth from its resilient property management services (PMS) division, which was lifted by effective rental renewals, optimised tenant mix, and healthy occupancy. Management guides for a strong start to FY26 on festive momentum, especially with double festivities of Chinese New Year and Hari Raya, further supported by improving consumer sentiment and supportive policy measures. We believe near-term margin headwinds from an essentials-led sales mix and the expanded SST could persist, though cushioned by resilient PMS contributions. Ongoing rejuvenation works and upcoming projects at KL Midtown, Seremban 2 and Kinta City should underpin medium-term growth. We maintain our forecasts and TP of RM1.40 while keeping our OUTPERFORM call, backed by decent ~4% dividend yield.

**Within our expectation.** AEON's FY25 core net profit of RM134m met expectations, at 104% of our forecast, but a miss at only 91% of consensus estimate. It declared a DPS of 4.5 sen in 4QFY25, which was consistent with a year ago and in line with our expectation.

**YoY,** FY25 revenue inched up by 1% as flattish retail sales amid subdued discretionary spending offset the 7% growth in the PMS division, where effective rental renewals, optimised tenant mix and healthy occupancy lifted segment profit by 17% with margins expanding 3.7 ppts. Retail profit, on the other hand, declined 70%, and together with higher operating costs and ongoing capex for store and mall upgrades, led to an 11% drop in FY25 core net profit. Note that 4QFY24 core net profit excluded RM22.6m in one-off litigation related expenses.

Notably, FY25 CNP margin of 3.1% was within management's guidance of ~3%, with PMS margin firm at 42% (>40% guidance), while retail margin came in slightly softer at 0.7% (vs. <2% guidance), broadly in line with our expectations.

**QoQ,** 4QFY25 top line rose 5% fuelled primarily by seasonally stronger retail spending during the year-end festive period. Its core net profit jumped 1.7 times, thanks to better retailing performance and greater cost efficiency, rebounding from retail segmental losses in the preceding quarter.

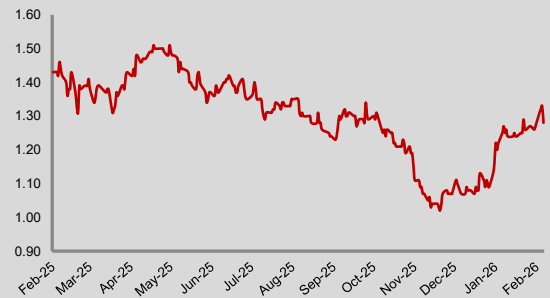
**Outlook.** AEON anticipates a strong start to FY26, driven by festive-led spending momentum in 1Q. This is further supported by improving consumer sentiment and ongoing government stimulus measures, which in our view, are partly attributable to greater clarity on the targeted petrol subsidy. In the near term, we believe margins may be dampened by essentials-led product mix and the expanded SST on non-tenant area rentals, though its push toward private brands should provide some cushion. PMS contributions should remain resilient, while ongoing rejuvenation works and upcoming projects at KL Midtown (2HFY26), Seremban 2 (2026) and Kinta City (2027) are expected to reinforce its medium-term growth.

**Forecasts.** We maintain our FY26F earnings and introduce our FY27F numbers.

## OUTPERFORM ↔

Price: **RM1.28**  
Target Price: **RM1.40** ↔

#### Share Price Performance



KLCI	1,740.94
YTD KLCI chg	3.6%
YTD stock price chg	18.5%

#### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	AEON MK EQUITY
Market Cap (RM m)	1,797.1
Shares Outstanding	1,404.0
52-week range (H)	1.54
52-week range (L)	1.01
3-mth avg. daily vol.	4,164,378
Free Float	37%
Beta	1.0

#### Major Shareholders

Aeon Co Ltd	52.0%
Employees Provident Fund Board	7.6%
Lembaga Tabung Haji	5.0%

#### Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	4,289	4,453	4,679
PBT	211	234	256
<b>Net Profit (NP)</b>	134	145	158
<b>Core NP</b>	134	145	158
Consensus (NP)	-	160	178
Earnings Revision	-	-	NEW
EPS (sen)	9.5	10.3	11.3
EPS Growth (%)	-11	9	9
NDPS (sen)	4.5	5.0	5.0
BVPS (RM)	1.43	1.48	1.54
PER (x)	13.4	12.4	11.3
PBV (x)	0.9	0.9	0.8
Net Gearing (x)	1.1	0.9	0.8
Net Div. Yield (%)	3.5	3.9	3.9

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**Valuations.** We also keep our TP of RM1.40 based on an unchanged 13.5x FY26F PER, which remains at a 10% discount to the departmental store/apparel sector's average historical forward PER of 15x, reflecting the deteriorated spending power of its target customers, i.e. the M40 income group, amid rising living costs. There is no adjustment to our TP based on ESG given a 3.5-star rating as appraised by us (see Page 4).

**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. Reiterate **OUTPERFORM**.

**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)	4QFY25	3QFY25	QoQ Chg	4QFY24	YoY Chg	FY25	FY24	YoY Chg
Revenue	1,049.3	995.2	5%	1,070.2	-2%	4,288.9	4,261.5	1%
EBITDA	197.8	151.5	31%	168.9	17%	741.1	714.7	4%
EBIT	85.9	42.5	102%	61.8	39%	302.5	294.6	3%
PBT	62.7	18.6	237%	41.5	51%	210.6	207.7	1%
Taxation	23.9	4.0	498%	17.5	37%	76.8	79.7	-4%
<b>Net Profit</b>	<b>38.8</b>	<b>14.6</b>	<b>166%</b>	<b>24.0</b>	<b>62%</b>	<b>133.8</b>	<b>128.0</b>	<b>5%</b>
<b>Core Net Profit</b>	<b>38.8</b>	<b>14.6</b>	<b>166%</b>	<b>46.6</b>	<b>-17%</b>	<b>133.8</b>	<b>150.6</b>	<b>-11%</b>
EPS (sen)	2.8	1.0	166%	1.7	62%	9.5	10.7	-11%
DPS (sen)	4.5	0.0	N.A.	4.5	0%	4.5	4.5	0%
EBITDA Margin (%)	18.9	15.2		15.8		17.3	16.8	
EBIT Margin (%)	8.2	4.3		5.8		7.1	6.9	
PBT Margin (%)	6.0	1.9		3.9		4.9	4.9	
CNP Margin (%)	3.7	1.5		4.4		3.1	3.5	
Effective Tax Rate (%)	38.1	21.5		42.2		36.5	38.4	

Source: Company, Kenanga Research

**Segment Breakdown**

FYE Dec (RM m)	4QFY25	3QFY25	QoQ Chg	4QFY24	YoY Chg	FY25	FY24	YoY Chg
<b>Revenue</b>								
Retailing Business	852.6	802.7	6%	885.1	-4%	3,501.1	3,524.5	-1%
Property Management Services	196.7	192.5	2%	185.1	6%	787.8	737.0	7%
<b>Total</b>	<b>1,049.3</b>	<b>995.2</b>	<b>5%</b>	<b>1,070.2</b>	<b>-2%</b>	<b>4,288.9</b>	<b>4,261.5</b>	<b>1%</b>
<b>EBIT (ex. unallocated expenses)</b>								
Retailing Business	21.2	-24.3	187%	29.8	-29%	23.0	75.8	-70%
Property Management Services	76.2	80.8	-6%	63.4	20%	330.8	282.4	17%
<b>Total</b>	<b>97.4</b>	<b>56.5</b>	<b>72%</b>	<b>93.2</b>	<b>5%</b>	<b>353.8</b>	<b>358.2</b>	<b>-1%</b>
<b>EBIT Margin</b>								
Retailing Business	2.5%	-3.0%		3.4%		0.7%	2.2%	
Property Management Services	38.7%	42.0%		34.3%		42.0%	38.3%	
<b>Total</b>	<b>9.3%</b>	<b>5.7%</b>		<b>8.7%</b>		<b>8.2%</b>	<b>8.4%</b>	

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.
<b>CONSUMER</b>																	
AEON CO. (M) BHD	OP	1.28	1.40	9.4%	1,797.1	Y	12/2025	10.3	11.3	8.6%	9.0%	12.4	11.3	0.9	7.1%	5.0	3.9%
FARM FRESH BHD	MP	2.67	2.70	1.1%	5,031.2	Y	03/2026	7.5	9.0	29.2%	20.4%	35.7	29.7	6.1	18.2%	3.0	1.1%
FRASER & NEAVE HOLDINGS BHD	OP	33.50	37.70	12.5%	12,287.1	Y	09/2026	144.2	160.7	3.6%	11.4%	23.2	20.8	3.0	13.2%	70.0	2.1%
MR D.I.Y. GROUP (M) BHD	MP	1.76	1.95	10.8%	16,680.4	Y	12/2026	7.5	8.2	11.6%	9.0%	23.4	21.5	8.3	35.3%	8.0	4.5%
NESTLE (MALAYSIA) BHD	MP	110.80	106.00	-4.3%	25,982.6	Y	12/2026	256.9	284.7	20.2%	10.8%	43.1	38.9	44.7	104.1%	255.0	2.3%
PADINI HOLDINGS BHD	OP	2.00	2.20	10.0%	1,973.7	Y	06/2026	14.0	16.3	-15.0%	16.5%	14.3	12.3	1.6	11.1%	8.2	4.1%
POWER ROOT BHD	MP	1.18	1.08	-8.5%	496.9	Y	03/2026	5.6	7.2	-21.5%	28.3%	21.0	16.4	1.7	7.5%	5.0	4.2%
QL RESOURCES BHD	MP	4.00	4.26	6.5%	14,601.0	Y	03/2026	12.2	13.4	-2.0%	9.5%	32.7	29.9	4.1	14.1%	5.0	1.3%
KAREX BHD	MP	0.580	0.580	0.0%	611.0	Y	06/2026	1.0	2.3	5250.0%	126.2%	57.1	25.2	1.3	2.3%	1.5	2.6%
<b>SECTOR AGGREGATE</b>					<b>79,461.0</b>					<b>8.2%</b>	<b>11.5%</b>	<b>28.9</b>	<b>25.9</b>	<b>5.2</b>	<b>18.1%</b>		<b>2.9%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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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