

02 March 2026

# AEON Co. (M)

## Double Festive Buzz Ahead

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We attended AEON's post-results briefing last Friday, where management guided for FY26 PAT margin of c.3%, broadly in line with 3.1% in FY25, as resilient PMS margins (>40%) continue to offset tight retail profitability amid minimum wage hikes and SST-related cost pressures. Notably, near-term traffic has improved on double festivities support, with minimal disruption observed from the second round of RM100 SARA cash aid given the longer utilisation window. Meanwhile, key development projects, including AEON Mall KL Midtown (end-2026), as well as expansions at AEON Mall Seremban 2 (end-2026) and AEON Mall Kinta City (2027) are progressing as planned. We maintain our forecasts, TP of RM1.40 and OUTPERFORM call, backed by decent dividend yield of c.4%.

Key takeaways from AEON's 4QFY25 results briefing are as follows:

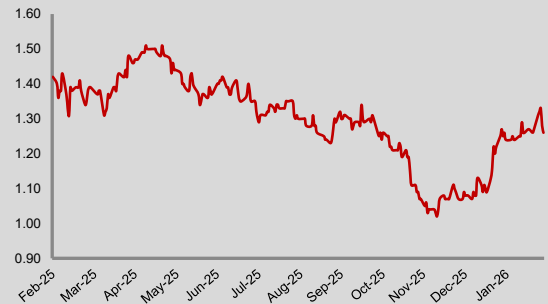
- Margins maintained at current levels, resilient PMS remains the key earnings anchor.** AEON guided FY26 PAT margin at ~3%, broadly in line with 3.1% in FY25 and our FY26 PAT margin forecast of 3.3%. Retail margin is expected to remain around 1%, amid minimum wage adjustments (effective Feb 2025) and SST-related rental costs (effective July 2025), partly cushioned by electricity tariff savings and growing private brand contribution (FY25: 18% of retail sales, mid-single-digit YoY growth). We believe the retail profitability is likely to remain tight in the near term as sales mix remained skewed towards lower-margin essentials. On the other hand, PMS margin is targeted to stay above 40%, supported by sustained high occupancy (96% or slightly higher) and ~4% rental reversion, continuing to anchor group profitability.
- Near-term demand boosted by festive tailwinds, with limited disruption from SARA.** AEON noted stronger traffic in recent months, supported by the double festive season of Chinese New Year and Hari Raya, and improving consumer sentiment following easing policy uncertainty such as RON95 subsidy rationalisation. That said, management indicated that the shorter gap between the two celebrations may moderate overall spending momentum. Additionally, no grocery sales dip was observed following the second round of one-off RM100 SARA cash aid, as the longer utilisation window (Feb to Dec) should smooth spending patterns versus the previous round.
- Development pipeline and asset rejuvenation to support medium-term growth.** AEON Mall KL Midtown remains on track for opening in 2HCY26, with management positioning the launch to coincide with year-end festive traffic. The expansion at AEON Mall Seremban 2 is progressing well and targeted for completion by end-2026, alongside refurbishment of its existing Old Wing, while AEON Mall Kinta City's expansion (with Old Wing upgrades commencing this year) is slated for completion in 2027. Meanwhile, AEON Mall Permas Jaya and AEON Mall Taman Universiti, both in Johor are well positioned to benefit from steady cross-border shopper traffic, have been earmarked for refurbishment in FY26 to further enhance traffic and tenant mix.

Forecasts. Maintained.

# OUTPERFORM ↔

Price: **RM1.26**  
Target Price: **RM1.40** ↔

### Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	16.7%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	AEON MK EQUITY
Market Cap (RM m)	1,769.0
Shares Outstanding	1,404.0
52-week range (H)	1.54
52-week range (L)	1.01
3-mth avg. daily vol.	4,161,699
Free Float	37%
Beta	1.0

### Major Shareholders

Aeon Co Ltd	52.0%
Employees Provident Fund Board	7.6%
Lembaga Tabung Haji	5.1%

### 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)	-	154	171
Earnings Revision	-	-	-
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)	13.2	12.2	11.2
PBV (x)	0.9	0.9	0.8
Net Gearing (x)	1.1	0.9	0.8
Net Div. Yield (%)	3.6	4.0	4.0

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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 still-conservative spending behaviour of its target customers, i.e. the M40 income group, amid elevated living costs despite gradually improving consumer sentiment. 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. Maintain **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.

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### Income Statement

FYE Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	4,129	4,262	4,289	4,453	4,679
EBITDA	710	715	741	796	833
Depreciation	421	420	439	459	478
Operating Profit	290	295	303	337	355
Interest Income	45	33	33	37	39
Interest Expense	-97	-88	-91	-98	-94
Associate	0	0	0	0	0
Exceptional Items	0	0	0	0	0
PBT	194	208	211	234	256
Taxation	-79	-80	-77	-89	-97
Minority Interest	0	0	0	0	0
Net Profit	115	128	134	145	158
Core Net Profit	115	151	134	145	158

### Balance Sheet

FYE Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	3,090	3,102	3,185	2,850	2,701
Intangible Assets	39.3	28.6	17.0	26.6	25.6
Other FA	1,141	1,247	1,282	1,282	1,282
Inventories	553	614	659	614	614
Receivables	98	60	60	64	68
Other CA	202	211	243	254	274
Cash	100	371	354	594	808
Total Assets	5,224	5,635	5,799	5,685	5,773
Payables	1,186	1,229	1,216	1,229	1,229
ST Borrowings	264	277	288	288	288
Other ST Liability	50	30	230	230	230
LT Borrowings	1,812	2,084	1,984	1,984	1,984
Other LT Liability	53	78	79	79	79
Minorities Int.	-	-	-	-	-
<b>Net Assets</b>	<b>1,859</b>	<b>1,937</b>	<b>2,003</b>	<b>1,877</b>	<b>1,965</b>
Share Capital	702	702	702	702	702
Reserves	1,157	1,235	1,301	1,376	1,464
<b>Equity</b>	<b>1,859</b>	<b>1,937</b>	<b>2,003</b>	<b>2,078</b>	<b>2,166</b>

### Cashflow Statement

FYE Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	630	640	606	622	611
Investing CF	-367	-231	-435	-312	-328
Financing CF	-400	-137	-189	-70	-70
Change In Cash	-138	272	-18	240	214
Free CF	249	397	275	311	284

### Financial Data & Ratios

FYE Dec	2023A	2024A	2025A	2026F	2027F
<b>Growth (%)</b>					
Turnover	-0.3	3.2	0.6	3.8	5.1
EBITDA	-6.5	0.6	3.7	7.5	4.6
Operating Profit	-10.4	1.7	2.7	11.6	5.3
PBT	-8.3	7.1	1.4	11.3	9.1
Net Profit	3.2	31.2	-11.2	8.6	9.1
<b>Profitability (%)</b>					
EBITDA Margin	17.2	16.8	17.3	17.9	17.8
Operating Margin	7.0	6.9	7.1	7.6	7.6
PBT Margin	4.7	4.9	4.9	5.3	5.5
Core Net Margin	2.8	3.5	3.1	3.3	3.4
Effective Tax Rate	-40.8	-38.4	-36.5	-38.0	-38.0
ROA	2.2	2.7	2.3	2.6	2.7
ROE	6.2	7.8	6.7	7.0	7.3
<b>DuPont Analysis</b>					
Net Margin (%)	2.8	3.5	3.1	3.3	3.4
Assets Turnover	0.8x	0.8x	0.7x	0.8x	0.8x
Leverage Factor	2.8x	2.9x	2.9x	2.7x	2.7x
ROE (%)	6.2	7.8	6.7	7.0	7.3
<b>Leverage</b>					
Debt/Asset (x)	0.4	0.4	0.4	0.4	0.4
Debt/Equity (x)	1.1	1.2	1.2	1.2	1.2
Net Cash/(Debt)	-2026	-2020	-2148	-1907	-1694
Net Debt/Equity (x)	1.1	1.0	1.1	0.9	0.8
<b>Valuations</b>					
EPS (sen)	8.2	10.7	9.5	10.3	11.3
NDPS (sen)	4.0	4.5	4.5	5.0	5.0
BV/Share (RM)	1.32	1.38	1.43	1.48	1.54
PER (x)	15.4	11.7	13.2	12.2	11.2
Net Div. Yield (%)	3.2	3.6	3.6	4.0	4.0
P/BV (x)	1.0	0.9	0.9	0.9	0.8
EV/EBITDA (x)	-0.4	-0.4	-0.5	-0.2	0.1

Source: 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	1.26	1.40	11.1%	1,769.0	Y	12/2026	10.3	11.3	8.6%	9.0%	12.2	11.2	0.9	7.1%	5.0	4.0%
FARM FRESH BHD	MP	2.62	2.70	3.1%	4,937.0	Y	03/2026	7.5	9.0	29.2%	20.4%	35.1	29.1	6.0	18.2%	3.0	1.1%
FRASER & NEAVE HOLDINGS BHD	OP	34.94	37.70	7.9%	12,815.2	Y	09/2026	144.2	160.7	3.6%	11.4%	24.2	21.7	3.1	13.2%	70.0	2.0%
MR D.I.Y. GROUP (M) BHD	MP	1.79	1.95	8.9%	16,964.7	Y	12/2026	7.5	8.2	11.6%	9.0%	23.8	21.8	8.4	35.3%	8.0	4.5%
NESTLE (MALAYSIA) BHD	MP	109.90	106.00	-3.5%	25,771.6	Y	12/2026	256.9	284.7	20.2%	10.8%	42.8	38.6	44.4	104.1%	255.0	2.3%
PADINI HOLDINGS BHD	MP	1.86	1.90	2.2%	1,835.6	Y	06/2026	14.0	15.9	-15.0%	13.5%	13.3	11.7	1.5	11.1%	8.2	4.4%
POWER ROOT BHD	MP	1.17	1.08	-7.7%	492.6	Y	03/2026	5.6	7.2	-21.5%	28.3%	20.9	16.3	1.7	7.5%	5.0	4.3%
QL RESOURCES BHD	MP	4.08	4.26	4.4%	14,893.0	Y	03/2026	12.2	13.4	-2.0%	9.5%	33.4	30.5	4.2	14.1%	5.0	1.2%
KAREX BHD	MP	0.560	0.580	3.6%	589.9	Y	06/2026	1.0	2.3	5250.0%	126.2%	55.1	24.4	1.3	2.3%	1.5	2.7%
<b>SECTOR AGGREGATE</b>					<b>80,068.6</b>					<b>8.2%</b>	<b>11.4%</b>	<b>29.1</b>	<b>26.2</b>	<b>5.3</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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