

19 May 2026

AEON Co. (M)

More Mall Than Retail

By Thin Yun Jing | thinyl@kenanga.com.my

Despite flat revenue and still-soft discretionary spending, AEON's 1QFY26 results still surprised positively, even after factoring in the double-festive seasonality that saw 1QFY25 contributing 51% of full-year earnings. The beat was driven mainly by stronger-than-expected property management services (PMS) margins. While the exceptionally high 55% PMS margin in 1QFY26 is unlikely to sustain beyond the festive period, partly due to seasonally lower maintenance and facility expenses, management's previous guidance of >40% PMS margins (versus retail margins of c.1%) should continue to underpin earnings growth. Notably, PMS accounted for ~93% of FY25 EBIT, reinforcing its growing role as AEON's core earnings driver amid softer discretionary spending. With multiple rejuvenation and expansion projects in the pipeline, we continue to see medium-term earnings resilience. We therefore raise FY26-27F earnings by 6-5% to reflect stronger PMS margins, and lift our TP to RM1.40 (from RM1.30). With valuations trading near 1SD below its 5-year mean and backed by decent ~4% dividend yield, we reiterate our OUTPERFORM call.

Above our expectation. AEON's 1QFY26 core net profit of RM83.7m beat expectations, coming in at 58% of our full-year forecast and 56% of the street's estimate. The key variance against our forecast came largely from better-than-expected margins, particularly the PMS segment. That said, we note that the strong 1Q contribution was partly seasonal, as 1QFY25 also accounted for 51% of FY25 earnings due to the double festive boost of Chinese New Year and Hari Raya. As expected, no dividend was declared during the quarter.

YoY, 1QFY26 revenue was broadly flat as softer retail sales (-1%) amid cautious discretionary spending were offset by continued growth in the PMS division (+4%), underpinned by effective rental renewals, sustained occupancy and optimised tenant mix. Core net profit increased 23% YoY, mainly lifted by stronger PMS margins and earnings contributions, while retail margins edged slightly lower. PMS profit jumped 34% YoY, with margins expanding to 54.8% (+12.3 pts), fuelled by: (i) higher variable income from stronger footfall and festive shopping activity, (ii) lower utilities under the revised electricity tariff structure, and (iii) deferred maintenance and facility expenses during the festive quarter.

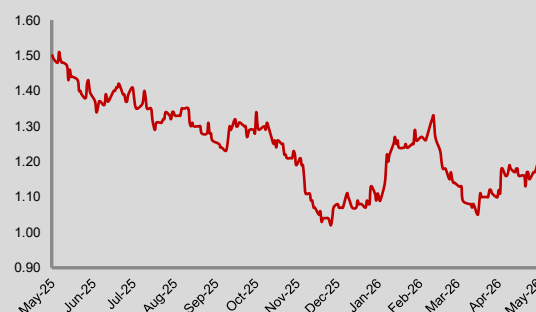
QoQ, 1QFY26 turnover climbed 18% on seasonally stronger retail (+21%) and PMS (+8%) sales, with the latter benefitting from higher sales commission amid improved tenant sales and mall traffic. Its bottom line surged 116%, thanks to higher sales and effective cost control, with margins improving from 5.5% to 6.7%.

Outlook. While 1Q performance was seasonally strong, we believe post-festive normalisation is likely in 2Q amid ongoing cost-of-living concerns and geopolitical uncertainties. In the near-term, we expect retail margins to likely remain tight as sales mix continues to skew towards lower-margin essentials, though its push toward private brands should provide some cushion. Nonetheless, PMS-led growth should remain resilient, supported by planned rejuvenation works at AEON Permas Jaya and AEON Taman Universiti in Johor, together with KL Midtown opening and Seremban 2 expansion by end-2026, while Kinta City is slated for 4QFY27, all of which are expected to reinforce its medium-term growth prospects.

OUTPERFORM ↔

Price: RM1.18
Target Price: RM1.40 ↑

Share Price Performance



KLCI 1,727.71
YTD KLCI chg 2.8%
YTD stock price chg 9.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	AEON MK Equity
Market Cap (RM m)	1,656.7
Shares Outstanding	1,404.0
52-week range (H)	1.51
52-week range (L)	1.02
3-mth avg. daily vol.	2,671,529
Free Float	37%
Beta	0.8

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	4,451	4,737
PBT	211	249	268
Net Profit (NP)	134	154	166
Core NP	134	154	166
Consensus (NP)	-	150	166
Earnings Revision	-	+6%	+5%
EPS (sen)	9.5	11.0	11.8
EPS Growth (%)	-11	15	8
NDPS (sen)	4.5	5.0	5.0
BVPS (RM)	1.43	1.49	1.55
PER (x)	12.4	10.7	10.0
PBV (x)	0.8	0.8	0.8
Net Gearing (x)	1.1	0.9	0.8
Net Div. Yield (%)	3.8	4.2	4.2

19 May 2026

Forecasts. We raise our FY26F and FY27F earnings by 6% and 5%, respectively, to mainly reflect better PMS performance and improved cost efficiency, while revising our PMS margin assumptions for FY26 and FY27 upward to ~43% (from ~41%).

Valuations. Post earnings revision, we lift our TP to RM1.40 (from RM1.30), while keeping an unchanged 12.5x FY26F PER. This remains at a 10% discount to the departmental store/apparel sector's average historical forward PER of 14x, 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)	1QFY26	4QFY25	QoQ Chg	1QFY25	YoY Chg
Revenue	1,242.3	1,049.3	18%	1,244.8	0%
EBITDA	270.4	197.8	37%	241.9	12%
EBIT	158.9	85.9	85%	133.4	19%
PBT	135.4	62.7	116%	110.7	22%
Taxation	51.7	23.9	116%	42.6	21%
Net Profit	83.7	38.8	116%	68.1	23%
Core Net Profit	83.7	38.8	116%	68.1	23%
EPS (sen)	6.0	2.8	116%	4.9	23%
DPS (sen)	0.0	4.5	-100%	0.0	N.A.
EBITDA Margin (%)	21.8	18.9		19.4	
EBIT Margin (%)	12.8	8.2		10.7	
PBT Margin (%)	10.9	6.0		8.9	
CNP Margin (%)	6.7	3.7		5.5	
Effective Tax Rate (%)	38.2	38.1		38.5	

Source: Company, Kenanga Research

Segment Breakdown

FYE Dec (RM m)	1QFY26	4QFY25	QoQ Chg	1QFY25	YoY Chg
Revenue					
Retailing Business	1,029.8	852.6	21%	1,040.4	-1%
Property Management Services	212.5	196.7	8%	204.4	4%
Total	1,242.3	1,049.3	18%	1,244.8	0%
EBIT (ex. unallocated expenses)					
Retailing Business	49.0	21.2	131%	54.4	-10%
Property Management Services	116.5	76.2	53%	86.9	34%
Total	165.5	97.4	70%	141.3	17%
EBIT Margin					
Retailing Business	4.8%	2.5%		5.2%	
Property Management Services	54.8%	38.7%		42.5%	
Total	13.3%	9.3%		11.4%	

Source: Company, Kenanga Research

19 May 2026

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	OP	1.18	1.40	18.6%	1,656.7	Y	12/2026	11.0	11.8	15.3%	7.6%	10.7	10.0	0.8	7.5%	5.0	4.2%
FARM FRESH BHD	MP	2.30	2.40	4.3%	4,334.1	Y	03/2026	7.5	8.6	29.2%	15.5%	30.9	26.7	5.3	18.2%	3.0	1.3%
FRASER & NEAVE HOLDINGS BHD	OP	28.70	37.40	30.3%	10,526.5	Y	09/2026	118.0	144.6	-15.2%	22.5%	24.3	19.9	2.6	11.0%	70.0	2.4%
MR D.I.Y. GROUP (M) BHD	OP	1.75	1.80	2.9%	16,585.6	Y	12/2026	7.5	8.2	11.6%	9.0%	23.3	21.4	8.2	35.3%	8.0	4.6%
NESTLE (MALAYSIA) BHD	MP	95.40	106.00	11.1%	22,371.3	Y	12/2026	256.9	284.7	20.2%	10.8%	37.1	33.5	38.5	104.1%	255.0	2.7%
PADINI HOLDINGS BHD	MP	1.42	1.75	23.2%	1,401.3	Y	06/2026	14.0	15.9	-15.0%	13.5%	10.1	8.9	1.1	11.1%	8.2	5.8%
POWER ROOT BHD	MP	1.15	1.08	-6.1%	481.6	Y	03/2026	5.6	7.2	-21.5%	28.3%	20.5	16.0	1.7	7.5%	5.0	4.3%
QL RESOURCES BHD	MP	3.61	4.05	12.2%	13,177.4	Y	03/2026	12.2	13.4	-2.0%	9.5%	29.5	27.0	3.7	14.1%	5.0	1.4%
KAREX BHD	MP	0.495	0.580	17.2%	521.5	Y	06/2026	1.0	2.3	5250.0%	126.2%	48.7	21.5	1.1	2.3%	1.5	3.0%
SECTOR AGGREGATE					71,056.1					4.7%	12.8%	26.7	23.7	4.7	17.6%		3.3%

Source: Kenanga Research

This section is intentionally left blank

19 May 2026

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

