

### COMPANY UPDATE

## Aeon Thana Sinsap (Thailand) (AEONTS TB)

3QFY25 Results Preview: Resuming Loan Growth Signals Good Prospects

We expect AEONTS to post a 3QFY25 net profit of Bt695m (-2% yoy, -16% qoq). The qoq reduction is primarily attributed to the absence of a gain from the sale of written-off receivables. Management has guided that AEONTS will resume lending and drive loan growth in 3QFY25. We are positive about the more relaxed lending direction. We believe a better macroeconomic outlook and cleaned up portfolio will improve asset quality going forward. Upgrade to BUY. Target price: Bt158.00.

### 3QFY25 RESULTS PREVIEW

Year to 28 Feb (Btm)	3QFY25F	2QFY25	3QFY24	qoq chg (%)	yoy chg (%)
Total gross loans	91,758	91,388	93,894	0.4	(2.3)
Net interest income	4,066	4,126	4,139	(1.5)	(1.7)
Non-interest income	877	1,030	755	(14.8)	16.1
Loan loss provision	(2,049)	(1,986)	(1,899)	3.2	7.9
Non-Interest Expenses	(2,016)	(2,132)	(2,114)	(5.4)	(4.6)
Pre-provision operating profit	2,927	3,024	2,780	(3.2)	5.3
Net income	695	822	706	(15.5)	(1.6)
EPS (Bt)	2.78	3.29	2.82	(15.5)	(1.6)
<b>Ratio (%)</b>					
NPL Ratio	5.6%	5.8%	6.2%		
Loan loss coverage ratio (%)	162%	159%	162%		
Net interest margin (NIM %)	17.7%	18.1%	17.6%		
Credit cost (bp)	885	859	802		
Cost to income (%)	41%	41%	43%		

Source: AEONTS, UOB Kay Hian

### WHAT'S NEW

- **Expects 3QFY25 earnings to soften qoq.** We expect Aeon Thana Sinsap (Thailand) (AEONTS) to report a 3QFY25 net profit of Bt695m, down 2% yoy and 16% qoq. The qoq reduction is mainly attributed to the absence of a gain from the sale of written-off receivables. In terms of pre-provision operating profit (PPOP), we expect the company to post an increase of 5% yoy but a 3% drop in 3QFY25.
- **Plans to resume lending in 3QFY25.** Due to a government stimulus, management has guided that AEONTS will resume lending and drive loan growth in 3QFY25 with a selective customer group. AEONTS has set targets for credit card and personal loan growth of 3-5% and 3% respectively in FY2025. The company plans to sell written-off receivables in 4QFY25. We are positive about the more relaxed lending direction, which is a good sign.

### KEY FINANCIALS

Year to 28 Feb (Btm)	2023	2024	2025F	2026F	2027F
Net interest income	17,151	16,605	16,411	16,702	17,135
Non-interest income	3,277	3,198	3,545	3,537	3,630
Net profit (rep./act.)	3,815	3,259	2,776	3,156	3,380
Net profit (adj.)	3,815	3,259	2,776	3,156	3,380
EPS (Bt)	15.3	13.0	11.1	12.6	13.5
PE (x)	8.2	9.6	11.3	9.9	9.2
P/B (x)	1.4	1.3	1.2	1.1	1.0
Dividend yield (%)	4.4	4.4	4.0	4.6	4.8
Cost/income (%)	40.2	42.4	42.3	41.7	42.1
Loan loss cover (%)	189.6	182.8	165.0	158.0	154.5
Consensus net profit	-	-	2,883	3,397	3,797
UOBKH/Consensus (x)	-	-	0.96	0.93	0.89

Source: AEONTS, Bloomberg, UOB Kay Hian

### BUY

(Upgraded)

Share Price	Bt125.00
Target Price	Bt158.00
Upside	+26.4%
(Previous TP)	Bt150.00)

### 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.

### STOCK DATA

GICS sector	Financials
Bloomberg ticker:	AEONTS TB
Shares issued (m):	250.0
Market cap (Btm):	31,250.0
Market cap (US\$m):	917.3
3-mth avg daily t'over (US\$m):	1.4

### Price Performance (%)

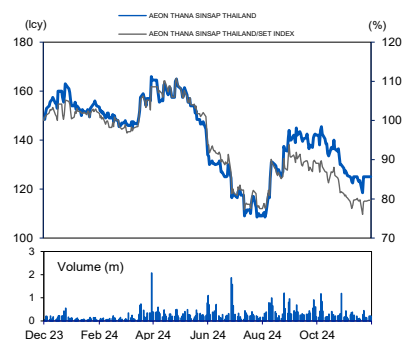
52-week high/low	Bt168.50/Bt107.00			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(3.8)	(8.1)	(15.3)	(16.4)	(21.9)

### Major Shareholders

AEON Financial Service Co., Ltd. / Japan	35.1
ACS Capital Corporation Limited	19.2
AEON Holdings (Thailand) Co., Ltd	8.8

FY25 NAV/Share (Bt)	112.20
FY25 Solvency Ratio (%)	

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### STOCK IMPACT

- Forecasting better asset quality in 2HFY25.** We expect a reduction in the NPL ratio from 5.8% in 2QFY25 to 5.6% in 3QFY25. We anticipate that AEONTS will slightly raise its buffer by increasing credit cost by 26bp to 885bp in 3QFY25, up from 859bp in 2QFY25. However, we believe a better macroeconomic outlook and cleaned up portfolio will improve its asset quality going forward.
- Haircut on unsecured NPLs expected to improve credit situation.** The government intends to reduce the NPL for personal loans and credit card loans with outstanding loans not exceeding Bt5,000-10,000, affecting approximately 1m people. These loans must have been NPL for more than one year. The debtor must register for this measure and repay 5-10% of the total loan amount. As a result, the haircut process will be completed. This haircut measure is expected to be proposed to the cabinet on 11 Dec 24. The haircut on unsecured loans will benefit AEONTS. This measure will improve: a) asset quality for the whole country, b) the household debt problem, and c) purchasing power by resuming good credit for individuals.

### EARNINGS REVISION/RISK

- We revised our FY25-27 earnings forecasts upward by 8.4%, 3.2%, and 4.4% respectively on the better macroeconomic outlook following the government stimulus.

### NET PROFIT FORECASTS

(Btm)	2025F	2026F	2027F
Old	2,561	3,057	3,239
New	2,776	3,156	3,380
% chg	8.4%	3.2%	4.4%

Source: UOB Kay Hian

### VALUATION/RECOMMENDATION

- Upgrade to BUY with a higher target price of Bt158.00.** We use the Gordon Growth Model with cost of equity at 13.0% and a long-term growth rate of 3.0%. Our target price implies 1.5x 2025F P/B, which is -1SD to its five-year average.

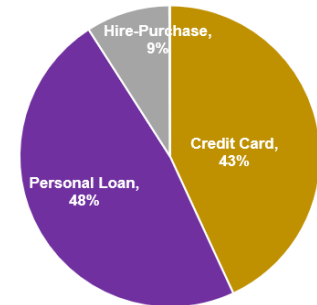
### SHARE PRICE CATALYST

- Stimulus package from the government to improve domestic spending and repayment.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

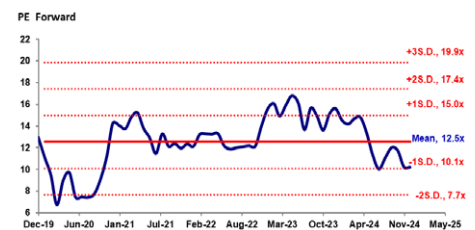
<b>CG Report: 5</b> <b>SET ESG Rating: N/A</b>
<b>Environmental</b> <ul style="list-style-type: none"> <li>- <b>Reducing paper and plastic usage.</b> The company plans to convince 100% of customers to switch to e-statements in the next 3-5 years.</li> <li>- <b>Waste management.</b> AEONTS forecasts waste segregation at 95% in the next 2-3 years.</li> <li>- <b>Electrical energy, water, and fuel energy management.</b> The company is focusing on clean energy consumption.</li> </ul>
<b>Social</b> <ul style="list-style-type: none"> <li>- <b>Number of complaints and disputes with the community.</b> The company plans to handle complaints and disputes with a satisfaction rate of 85% over the next few years.</li> <li>- The satisfaction rate from the financial literacy provided by AEONTS is expected to exceed 85% in the next 2-3 years.</li> </ul>
<b>Governance</b> <ul style="list-style-type: none"> <li>- 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.</li> </ul>

### LOAN PORTFOLIO (2QFY25)



Source: AEONTS, UOB Kay Hian

### PE BAND



Source: AEONTS, UOB Kay Hian

### P/B BAND



Source: AEONTS, UOB Kay Hian

### PROFIT & LOSS

Year to 28 Feb (Btm)	2024	2025F	2026F	2027F
Interest income	18,767	18,640	18,792	19,152
Interest expense	(2,162)	(2,230)	(2,091)	(2,017)
Net interest income	16,605	16,411	16,702	17,135
Fees & commissions	864	1,017	1,304	1,383
Other income	2,334	2,529	2,232	2,248
Non-interest income	3,198	3,545	3,537	3,630
<b>Total income</b>	<b>19,803</b>	<b>19,956</b>	<b>20,238</b>	<b>20,765</b>
Staff costs	(8,219)	(8,260)	(8,237)	(8,534)
Other operating expense	(183)	(185)	(194)	(204)
Pre-provision profit	11,402	11,511	11,807	12,027
Loan loss provision	(7,240)	(7,993)	(7,818)	(7,754)
Other provisions	0	0	0	0
Associated companies	0	0	0	0
Other non-operating income	4,161	3,518	3,989	4,273
Pre-tax profit	(824)	(701)	(798)	(855)
Tax	(79)	(40)	(36)	(38)
Minorities	<b>3,259</b>	<b>2,776</b>	<b>3,156</b>	<b>3,380</b>
<b>Net profit</b>	<b>18,767</b>	<b>18,640</b>	<b>18,792</b>	<b>19,152</b>
Net profit (adj.)	(2,162)	(2,230)	(2,091)	(2,017)

### BALANCE SHEET

Year to 28 Feb (Btm)	2024	2025F	2026F	2027F
Cash with central bank	2,797	3,563	3,625	3,604
Govt treasury bills & securities	0	0	0	0
Interbank loans	0	0	0	0
Customer loans	83,017	83,995	86,035	86,133
Investment securities	0	0	0	0
Derivative receivables	0	0	0	0
Associates & JVs	0	0	0	0
Fixed assets (incl. prop.)	530	419	291	260
Other assets	6,156	6,442	6,402	6,286
<b>Total assets</b>	<b>92,499</b>	<b>94,419</b>	<b>96,353</b>	<b>96,282</b>
Interbank deposits	0	0	0	0
Customer deposits	0	0	0	0
Derivative payables	0	0	0	0
Debt equivalents	62,431	62,059	62,110	60,254
Other liabilities	5,006	5,444	5,556	5,486
<b>Total liabilities</b>	<b>67,437</b>	<b>67,503</b>	<b>67,666</b>	<b>65,740</b>
Shareholders' funds	24,472	26,269	28,076	29,970
Minority interest - accumulated	589	647	611	573
<b>Total equity &amp; liabilities</b>	<b>92,499</b>	<b>94,419</b>	<b>96,353</b>	<b>96,282</b>

### OPERATING RATIOS

Year to 28 Feb (%)	2024	2025F	2026F	2027F
<b>Capital Adequacy</b>				
Total assets/equity (x)	3.8	3.6	3.4	3.2
Tangible assets/tangible common equity (x)	3.9	3.7	3.5	3.2
<b>Asset Quality</b>				
NPL ratio	4.9	5.4	5.2	4.9
Loan loss coverage	182.8	165.0	158.0	154.5
Loan loss reserve/gross loans	7.9	8.6	8.2	8.2
Increase in NPLs	(15.1)	10.0	(1.1)	(6.3)
Credit cost (bp)	775.4	862.1	831.4	819.9
<b>Liquidity</b>				
Loan/deposit ratio	146.1	148.4	150.7	154.5
Liquid assets/short-term liabilities	5.2	6.6	6.8	7.0
Liquid assets/total assets	3.0	3.8	3.8	3.7

### KEY METRICS

Year to 28 Feb (%)	2024	2025F	2026F	2027F
<b>Growth</b>				
Net interest income, yoy chg	(3.2)	(1.2)	1.8	2.6
Fees & commissions, yoy chg	(5.5)	17.6	28.3	6.0
Pre-provision profit, yoy chg	(6.6)	1.0	2.6	1.9
Net profit, yoy chg	(14.6)	(14.8)	13.7	7.1
Net profit (adj.), yoy chg	(14.6)	(14.8)	13.7	7.1
Customer loans, yoy chg	(0.9)	1.2	2.4	0.1
<b>Profitability</b>				
Net interest margin	17.9	17.8	17.8	18.1
Cost/income ratio	42.4	42.3	41.7	42.1
Adjusted ROA	3.5	3.0	3.3	3.5
Reported ROE	13.8	10.9	11.6	11.6
Adjusted ROE	13.8	10.9	11.6	11.6
<b>Valuation</b>				
P/BV (x)	1.3	1.2	1.1	1.0
P/NTA (x)	132.3	122.2	113.6	106.0
Adjusted P/E (x)	9.6	11.3	9.9	9.2
Dividend Yield	4.4	4.0	4.6	4.8
Payout ratio	42.2	45.5	45.5	44.0

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