

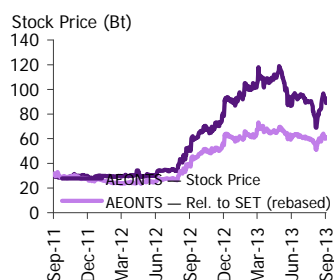
BUY

Stock Data

| | |
|-----------------------------|--------|
| Last close (Sep 26) (Bt) | 97.25 |
| 12-m target price (Bt) | 115.00 |
| Upside (Downside) to TP (%) | 18.25 |
| Mkt cap (Btbn) | 24.31 |
| Mkt cap (US\$mn) | 779 |

| | |
|----------------------------|------------|
| Bloomberg code | AEONTS TB |
| Reuters code | AEON.BK |
| Risk rating | H |
| Mkt cap (%) SET | 0.19 |
| Sector % SET | 1.03 |
| Shares issued (mn) | 250 |
| Par value (Bt) | 1 |
| 12-m high / low (Bt) | 123 / 54.3 |
| Avg. daily 6m (US\$mn) | 0.37 |
| Foreign limit / actual (%) | 49 / 49 |
| Free float (%) | 29.3 |
| Dividend policy (%) | ≥ 30 |

Price Performance



Source: SET, SCBS Investment Research

Share performances

| | 1M | 3M | 12M |
|-----------------|------|-----|------|
| Absolute | 39.9 | 2.4 | 62.1 |
| Relative to SET | 27.1 | 3.9 | 46.3 |

Source: SET, SCBS Investment Research

S-T slowdown, L-T promising

2QFY13A above estimates. AEONTS' net profit surged 95% YoY and 20% QoQ to Bt684mn in 2QFY13 (21 May - 20 August), 15% above our forecast of Bt595mn. Top lines (particularly income from personal loans) and NIM were above expectation, reflecting better-than-expected loan yield. However, NPLs and provisions also rose substantially, confirming our concern regarding high household debt. Key points:

1. Loan growth: Slowed to 2.8% QoQ (vs. +9.7% QoQ for 1QFY13) and 13% YTD, driven by both personal loans (+4% QoQ) and credit card loans (+7% QoQ). Our 20% FY2013F loan growth remains intact.
2. Net interest margin: Well above expectation at +112 bps QoQ to 23.71%. Yield on earning assets soared 106bps QoQ to 27.64%. Cost of funds also eased 14 bps QoQ to 4.49%.
3. Non-interest income: +14% QoQ, mainly from bad debt recovery.
4. Cost to income ratio: Below than expected, down to 46.65% from 50.67% in 1QFY13. This was due to both stronger-than-expected top lines and lower-than-expected opex.
5. Asset quality: Worse than anticipated, NPLs rose 18% QoQ, bringing NPL ratio up to 2.47% from 2.21% at FY1Q13. Provision expense rose 21% QoQ with a rise in credit cost to 7.17% from 6.08% for FY1Q13.

S-T slowdown, but good L-T opportunity. At the analyst meeting, management disclosed that AEONTS is tightening its credit policies and planning to shift into lower gear on loan expansion in the second half of FY2013 and in FY2014 on the back of rising concerns about the new floods and economic slowdown. This matches our loan growth forecast of 20% for FY2013 (13% for 1H13 and 7% for 2H13) and 17% for FY2014. AEONTS sees good L-T growth opportunities ahead: 1) expansion in Cambodia, Myanmar and Laos, 2) high growth potential in both urban and rural areas supported by hypermarket expansion, 3) rising room for customer base growth created by a rising proportion of bankable population (18% of Thai population have monthly income of at least Bt15,000) and a rise in average wage to Bt12,023/month with a low 0.69% unemployment rate.

Downside risk from the Credit Card Act. A draft of the Credit Card Act is now under consideration in the Parliament. Usual practice has been that interest will be charged on the remaining balance from the start date of the billing cycle if not paid in full. In the latest draft, interest rate charge will start from the date the payment is due, instead, essentially cutting out interest charges for one month. This rule was added to the Act after the passage of the first reading. However, this is not in line with standard practice globally and so we expect some detour will be found.

Upgrade in TP and put it back into Buy zone. Our target price comes up to Bt115 (2.9x average FY2013F and FY2014F BVPS) from Bt100 after we raise FY2013 and FY2014 forecasts by 10% to fine tune with 2QFY13 results. We put AEONTS back onto our buy radar after a recent downgrade to Neutral upon a sharp share price rally, as we believe the promising opportunities in the LT outweigh the small bumps in the road in the ST, and also because valuation is inexpensive, though we would prefer a lower entry level.

Forecasts and valuation

| FY Feb 20 of the following year | Unit | FY2011 | FY2012 | FY2013F | FY2014F | FY2015F |
|---------------------------------|--------|--------|--------|---------|---------|---------|
| Net profit | (Btmn) | 161 | 1,688 | 2,508 | 2,861 | 3,200 |
| EPS | (Bt) | 0.64 | 6.75 | 10.03 | 11.44 | 12.80 |
| BVPS | (Bt) | 24.5 | 29.0 | 35.8 | 43.1 | 51.3 |
| DPS | (Bt) | 2.10 | 3.00 | 4.01 | 4.58 | 5.12 |
| PER (x) | (x) | 150.9 | 14.4 | 9.7 | 8.5 | 7.6 |
| EPS growth | (%) | (83) | 948 | 49 | 14 | 12 |
| PBV | (x) | 3.97 | 3.35 | 2.72 | 2.25 | 1.90 |
| ROE | (%) | 2.6 | 25.2 | 30.9 | 29.0 | 27.1 |
| Dividend yields | (%) | 2.16 | 3.08 | 4.13 | 4.71 | 5.26 |

Source: SCBS Investment Research

Figure 1: Quarterly results

| P & L (Bt mn) | 2Q12 | 3Q12 | 4Q12 | 1Q13 | 2Q13 | %YoY ch | %QoQ ch | 1H12 | 1H13 | % YoY ch | % full year |
|----------------------|--------|--------|--------|--------|--------|----------|----------|--------|--------|----------|-------------|
| Net interest income | 2,244 | 2,305 | 2,494 | 2,684 | 2,988 | 33 | 11 | 4,408 | 5,672 | 29 | 47 |
| Non-interest income | 239 | 329 | 481 | 292 | 333 | 39 | 14 | 434 | 624 | 44 | 47 |
| Operating expenses | 1,153 | 1,309 | 1,436 | 1,508 | 1,549 | 34 | 3 | 2,223 | 3,057 | 37 | 48 |
| Pre-provision profit | 1,329 | 1,326 | 1,539 | 1,468 | 1,772 | 33 | 21 | 2,619 | 3,239 | 24 | 46 |
| Less Provision | 850 | 670 | 693 | 755 | 917 | 8 | 21 | 1,766 | 1,672 | (5) | 43 |
| Pre-tax profit | 479 | 655 | 847 | 712 | 855 | 78 | 20 | 853 | 1,567 | 84 | 49 |
| Income tax | 111 | 149 | 195 | 143 | 171 | 54 | 20 | 198 | 313 | 59 | 49 |
| Net profit | 352 | 487 | 620 | 569 | 684 | 95 | 20 | 638 | 1,254 | 96 | 50 |
| EPS (Bt) | 1.41 | 1.95 | 2.48 | 2.28 | 2.74 | 95 | 20 | 2.55 | 5.01 | 96 | 50 |
| B/S (Bt mn) | 2Q12 | 3Q12 | 4Q12 | 1Q13 | 2Q13 | %YoY ch | %QoQ ch | 1H12 | 1H13 | %YoY ch | % full year |
| Gross loans | 41,696 | 43,487 | 45,318 | 48,512 | 51,100 | 23 | 5 | 41,696 | 51,100 | 21 | NM. |
| Liabilities | 39,661 | 41,776 | 43,755 | 45,246 | 47,857 | 21 | 6 | 39,661 | 47,857 | 21 | NM. |
| BVPS (Bt) | 26.08 | 26.87 | 29.03 | 31.30 | 32.21 | 24 | 3 | 26.08 | 32.21 | 24 | NM. |
| Ratios (%) | 2Q12 | 3Q12 | 4Q12 | 1Q13 | 2Q13 | %YoY ch* | %QoQ ch* | 1H12 | 1H13 | YoY ch* | % full year |
| Yield on earn. asset | 26.25 | 25.76 | 26.71 | 26.92 | 27.98 | 1.73 | 1.06 | 25.33 | 25.99 | 0.67 | NM. |
| Cost of funds | 4.60 | 4.34 | 4.59 | 4.62 | 4.49 | (0.11) | (0.14) | 4.44 | 4.19 | (0.25) | NM. |
| Net interest margin | 21.94 | 21.65 | 22.47 | 22.88 | 24.00 | 2.06 | 1.12 | 42.29 | 44.40 | 2.11 | NM. |
| Cost to income | 46.46 | 49.68 | 48.27 | 50.67 | 46.65 | 0.19 | (4.03) | 45.91 | 48.55 | 2.64 | NM. |
| D/E(x) | 6.08 | 6.22 | 6.03 | 5.78 | 5.94 | (0.14) | 0.16 | 6.08 | 5.94 | (0.14) | NM. |
| NPLs/gross loans | 3.81 | 3.25 | 2.59 | 2.21 | 2.47 | (1.34) | 0.26 | 3.81 | 2.47 | (1.34) | NM. |
| Provision/Loans | 8.15 | 6.17 | 6.11 | 6.23 | 7.17 | (0.98) | 0.95 | 16.94 | 13.09 | (3.85) | NM. |
| LLR/NPLs | 137.42 | 134.78 | 137.89 | 139.58 | 130.24 | (7.18) | (9.34) | 137.42 | 130.24 | (7.18) | NM. |

Source: SCBS Investment Research

Note: * Percentage points

CG Rating 2012 Companies with CG Rating under SCBS's Coverage

ADVANC, AOT, BANPU, BAY, BBL, BCP, BEC, BMCL, BJS, CSL, DRT, EGCO, ERW, HEMRAJ, IRPC, KBANK, KKP, KTB, LPN, MCOT, PS, PSJ, PTT, PTTIP, PTTGC, QH, RATCH, ROBINS, SAMART, SAMTEL, SAT, SCB, SCC, THAI, TISCO, TMB, TOP, TTA

AMATA, AP, ASP, BEC, BH, BIGC, CENTEL, CK, CPALL, CPF, DCC, DELTA, DTAC, ESSO, GFPT, GLOW, GUNKUL, HANA, HMPRO, INTUCH, ITD, IVL, KCE, LH, MAKRO, MBKET, MINT, DISHI, PM, SCCC, SMT, SPALL, STANLY, STEC, SVL, TCAP, THCOM, THRE, TICON, TRUE, TTW, TUF

AEONIS, AH, BIA, CCET, JMART, KTC, LHBANK, MAJOR, RCL, ROJINA, SIBI, TPIPL

N/A AAV, BCH, BGH, CPNRF, NOK, NWR, POPF, QHPF, SSI, TFUND, TLOGIS, WHA, WHAF

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