

BUY

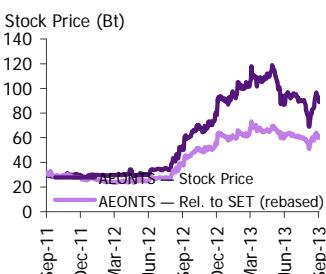
S-T slowdown, L-T promising

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

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
<u>Less</u> 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, BECL, BMCL, BTS, CSL, DRT, EGCO, ERW, HEMRAJ, IRPC, KBANK, KKP, KTB, LPN, MCOT, PS, PSL, PTI, PTTEP, PTTEG, OH, RATCH, ROBINS, SAMART, SAMTEL, SAT, SCB, SCC, THAI TISCO, TMB, TOP, TIA
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▲▲▲ AEONTS, AH, BLA, CCEI, JIMART, KTC, LHBANK, MAJOR, RCL, ROINA, SIRI, TPPL

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