

Aeon Credit Service Berhad

(5139 | ACSM MK) Financial Services | Other Financials

Below expectations

KEY INVESTMENT HIGHLIGHTS

- **Earnings fell below expectations on higher provisions**
- **Revenue was stable but weak**
- **Gross financing remains solid**
- **Asset quality stable thus far**
- **Earnings forecast revised downwards**
- **Maintain NEUTRAL with unchanged TP of RM9.45**

Below expectations. Aeon Credit Service (M) Bhd (ACSM) recorded a 1QFY21 net profit decline of -68.9%yoy, which was below our expectations. Net profit was 9.1% of our full year estimate.

Net profit declined due to higher impairment loss. The main contributor for the earnings decline was higher impairment loss where it increased +87.1%yoy to RM174m. Also, this was compounded by lower bad debt recovered. The higher net credit cost was due to lower receivable collection as delinquency rose in light of the movement control order (MCO).

Revenue stable. Revenue in 1QFY21 expanded +1.8%yoy. This was due to disruption in operation due to MCO and possibly from the loan moratorium.

Gross financing receivables growth remains solid. Gross financing receivables expanded +15.0%yoy to RM10.5b as at end 1QFY21. The main reason for this was lower repayments due to loan moratorium ensuring that there was no decrease in its financing book. Highest expansions were in motorcycle, car and personal financing. These grew +20.8%yoy to RM3.32b, +16.3%yoy to RM3.05b and +11.0%yoy to RM2.88b respectively.

Asset quality improved due to loan deferment. Non-performing loans ratio improved by -50bp yoy to 1.42%. This was due to a combination of lower NPL booked as customer's delinquency status remain unchanged for those eligible for loan deferment programme and the strong financing receivables. Meanwhile, current collection ratio remains high at 98.6%.

Earnings forecast revised downwards. In light of the expected economic impact coming from Covid-19 pandemic and the MCO, we are revising downwards our forecast for FY21/FY22/FY23 by -39.4%/-42.2%/-25.1% respectively.

Valuation and recommendation. We believe that provisions will continue to be a weigh to the ACSM's earnings especially post loan deferment period. This will also put a dampener to revenue as well. However, asset quality will likely remain stable. All-in, we maintain our **NEUTRAL** call with unchanged **TP** to **RM9.45**. We peg ACSM's FY21 BVPS of RM7.27 to PBV of 1.3x.

Maintain NEUTRAL

Unchanged Target Price: RM9.45

RETURN STATISTICS

Price @ 25 th June 2020 (RM)	9.68
Expected share price return (%)	-2.4
Expected dividend yield (%)	+3.9
Expected total return (%)	+1.6

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	5.86	1.86
3 months	14.05	2.54
12 months	-43.38	-36.50

KEY STATISTICS

FBM KLCI	1489.20
Syariah compliant	No
Issue shares (m)	253.619
Estimated free float (%)	29.57023
Market Capitalisation (RM'm)	2429.977
52-wk price range	RM7.7 - RM17
Beta vs FBM KLCI (x)	0.900962
Monthly velocity (%)	0.0012
Monthly volatility (%)	10.4292
3-mth average daily volume (m)	0.369579
3-mth average daily value (RM'm)	3.374476
Top Shareholders (%)	
AEON Financial Service Co Ltd	61.9
Employees Provident Fund Board	5.07
Standard Life Aberdeen PLC	3.45

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INVESTMENT STATISTICS

Financial year ending 28 February (in RM'm, unless otherwise stated)	2019A	2020A	2021E	2022F	2023F
Revenue (RM'm)	1,365.8	1,598.8	1,630.8	1,696.0	1,814.7
Operating profit (RM'm)	725.1	715.7	608.3	638.7	683.4
Pre-tax Profit (RM'm)	472.2	390.4	234.3	241.3	337.8
Net Profit (RM'm)	354.6	292.0	175.2	180.5	252.7
EPS(sen)	133.6	107.5	69.9	72.0	100.8
EPS growth (%)	11.6	-19.6	-35.0	3.0	40.0
PER (x)	6.8	8.5	13.1	12.7	9.1
Dividend (sen)	45	36.25	36	38	44
Dividend Yield (%)	4.9	4.0	3.9	4.2	4.8

Source: Company, MIDFR

1QFY21 RESULTS SUMMARY

FYE Feb (RM'm)	Quarterly Results				
	1Q21	1Q20	4Q20	YoY	QoQ
Interest income, profit & charges	359.0	328.8	362.6	9.2%	-1.0%
Fee income	26.3	49.8	50.7	-47.2%	-48.2%
Revenue	385.3	378.6	413.3	1.8%	-6.8%
Total operating expenses	(277.5)	(222.1)	(249.5)	24.9%	11.2%
Other operating income	21.8	31.6	41.6	-31.2%	-47.8%
Profit from operations	129.5	188.1	205.4	-31.1%	-37.0%
Finance costs	(92.4)	(75.4)	(87.4)	22.6%	5.8%
Profit before tax	37.1	112.7	118.0	-67.1%	-68.6%
Taxation	(10.8)	(28.1)	(29.6)	-61.5%	-63.5%
Net profit	26.3	84.6	88.4	-68.9%	-70.3%
Basic EPS (sen)	10.3	32.7	31.4	-68.5%	-67.2%

Source: Company, MIDFR

FYE Feb (RM'm)	Quarterly Results				
	1Q21	1Q20	4Q20	YoY	QoQ
Operating income					
Card Purchase	34.1	31.7	37.9	7.6%	-10.0%
General Easy Payment	19.5	21.9	21.3	-11.0%	-8.5%
Motorcycle Easy Payment	124.4	121.7	134.4	2.2%	-7.4%
Automobile Financing	85.9	81.0	87.8	6.0%	-2.2%
Personal Financing	119.3	121.0	129.3	-1.4%	-7.7%
SME Business	0.5	1.3	1.0	-61.5%	-50.0%
Other income	23.3	31.6	43.2	-26.3%	-46.1%
Total	407.0	410.2	454.9	-0.8%	-10.5%
Financing receivables					
Credit card	839	790	917	6.2%	-8.5%
General Easy Payment	380	331	352	14.8%	7.9%
Motorcycle Easy Payment	3,321	2,749	3,231	20.8%	2.8%
Automobile Financing	3,052	2,624	2,978	16.3%	2.5%
Personal Financing	2,875	2,589	2,864	11.0%	0.4%
SME Business	51	62	52	-17.7%	-2.5%
Total	10,518	9,145	10,395	15.0%	1.2%
Key Metrics					
Net credit cost	6.12%	2.99%	3.41%	3.13	2.71
ROE - annualised	6.7%	22.6%	22.7%	-15.83	-15.95
Current collection ratio	98.6%	98.1%	98.1%	0.50	0.54
Non-performing loans (NPL)	1.42%	1.92%	1.92%	-0.50	-0.50

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.