

Equity Beat

24 February 2010

4Q09 Results Review

AEON Co. Bhd

Business intact despite a tough 2009

Maintain NEUTRAL

Unchanged Target Price (TP): RM5.30

- **AEON's net earnings grew +10.7%yoy to RM133.5m in FY09, exceeding slightly our and consensus full year estimates by 3.1% and 6.7% respectively.**
- **The deviation was due to meagre variation of our EBIT margin assumption for both retailing and property management services divisions.**
- **We are maintaining our NEUTRAL call on AEON with an unchanged Target Price (TP) of RM5.30 per share, based on 12.5x EPS10 of 42.5 sen (mid-range of 5-year historical PER band of 9.2x and 18.2x).**


STOCK INFO

Price (23 Feb 10)	RM4.98	KLCI	1,266.43
Issued shares (mil)	351.00	Bursa / Bloomberg	6599 / AEON MK
Par Value (RM)	1.00	Board / Sector	Main/ Consumer
Market cap. (RM'm)	1,749.98	Syariah Compliant	Yes
Price over NA	1.78x		
52-wk price Range	RM3.64–RM5.50	Major Shareholders	
Beta (against KLCI)	0.58x	AEON Co. Ltd	51.00%
3-mth Avg Daily Vol	0.11m	Aberdeen AM	10.73%
3-mth Avg Daily Value	RM0.53m	EPF	6.65%

Organic growth sustained revenue performance. Despite the economic slowdown and no new outlet opened, AEON's managed to grow its topline by +8.8%yoy to RM3.74b in FY09. Full year contribution from three shopping centres in Seberang Prai (opened in Aug08), Setiawangsa (Dec08) and Bukit Indah (Dec08), especially the rental income, and better performance of other existing outlets was the key driver.

Overall EBIT margin remained stable. Contribution from the property management is growing faster than the retailing division, which accounted 41.8% of total EBIT in FY09 as compared with 34.8% in FY08. Note that, the division contributed only 10% to the total group revenue. EBIT margin also improved 2%-pts to 22.1%. This showed the management's ability to achieve better yield per net lettable area and higher occupancy rate for its aforementioned shopping centres. However, retailing margin squeezed 0.3%-pts to 3.4%. We assume 3.5% in FY10 after taking into account domestic spending sentiment improvement. Due to mixed bag for both divisions, overall margin increased slightly to 5.3% from 5.2% in FY08, or translating into 10.6%yoy EBIT growth.

Expansion plans continue to spur growth. We factor in two new stores in our forecast for FY10. AEON Bandaraya Melaka Shopping Centre already commenced its operation in early Feb, while another neighborhood type store in 2HFY10. We expect AEON's revenue and EBIT to surpass RM4b and RM200m respectively in FY10 for the first time in FY10 or equivalent to a growth rate of +9.2%yoy and +11.2%yoy. ROE will continue to be sustained at 14.4%, at par with its 5-year average.

Maintain NEUTRAL. We are maintaining our NEUTRAL call on AEON with an unchanged TP of RM5.30 per share, based on 12.5x EPS10 of 42.5 sen (mid-range of 5-year historical PER band of 9.2x and 18.2x). Our TP implies an upside of only 6.4%. 

FYE 31 Dec	FY07	FY08	FY09	FY10F
Revenue (RM'm)	2,886.2	3,433.0	3,735.8	4,079.8
EBIT (RM'm)	157.5	178.4	197.3	219.5
Pretax Profit (RM'm)	159.0	176.3	194.4	217.5
Net Profit (RM'm)	105.2	120.6	133.5	149.0
EPS (sen)	30.0	34.4	38.0	42.5
EPS growth (%)	1.9%	14.7%	10.7%	11.6%
PER(x)	16.6	14.5	13.1	11.7
Net Dividend (sen)	8.3	9.0	9.0	12.7
Net Dividend Yield (%)	1.7%	1.8%	1.8%	2.6%

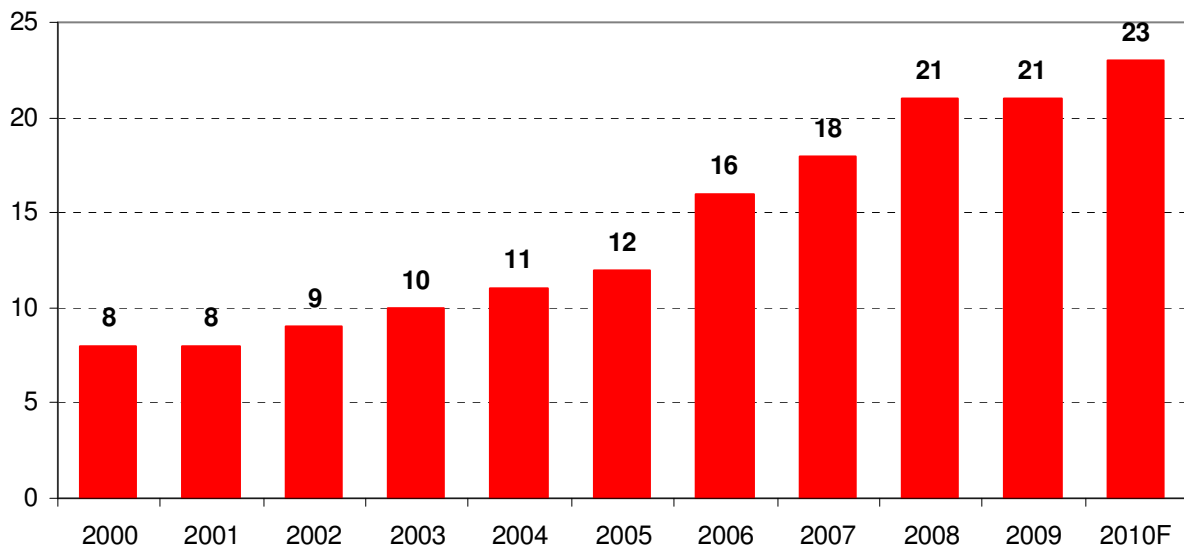
Source: Company, Forecasts by MIDFR

AEON Co.: 4QFY09 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results			Cumulative		Comments
	4Q09	%YoY	%QoQ	FY09	%YoY	
Revenue	987.0	6.2%	1.9%	3,735.8	8.8%	Driven by the contribution from 3 new stores opened in 2008 and overall better performance from the existing stores.
Operating expenses	-910.2	4.7%	-1.3%	-3,542.3	8.7%	
Other op. income	1.3	153.2%	72.5%	3.9	39.9%	
EBIT	78.1	27.5%	65.4%	197.3	10.6%	Mix EBIT margin performance of retailing and property management division
Net Int. income	-0.3	-70.4%	-50.6%	-3.0	44.3%	
Pre-tax profit	77.8	29.4%	67.1%	194.4	10.2%	
Tax	-22.0	44.3%	55.0%	-60.8	9.1%	
Net profit	55.7	24.3%	72.4%	133.5	10.7%	Sustainable growth rate, translating into stable double digit ROE of 14.3%.
EPS (sen)	15.9	24.4%	72.4%	38.0	10.7%	
		+/- ppts	+/- ppts			
EBIT margin (%)	7.9%	1.3	3.0	5.3%	0.1	As below.
Tax rate (%)	28.3%	2.9	-2.2	31.3%	-0.3	
Revenue Breakdown	3Q09	%YoY	%QoQ	9mFY09	%YoY	
Retail	891.9	5.4%	2.0%	3,362.3	7.6%	Domestic consumer spending remains intact despite economic slowdown. Also reflected customer loyalty.
Property Management	95.1	13.8%	1.1%	373.5	20.9%	Due to additional net lettable space in the new shopping malls. Also due to management ability to achieve higher occupancy rate.
EBIT breakdown						
Retail	53.5	17.4%	91.8%	114.9	-1.2%	Margin decline.
Property Management	24.6	56.8%	27.2%	82.5	32.7%	As above.
EBIT margin		+/- ppts	+/- ppts			
Retail	6.0%	0.6	2.8	3.4%	-0.3	Due to pricing discount and promotional activities
Property Management	25.9%	7.1	5.3	22.1%	2.0	Due to the completion of the gestation period for the three new stores opened in FY08 and the 2.7% decline in electricity bill starting Mar09

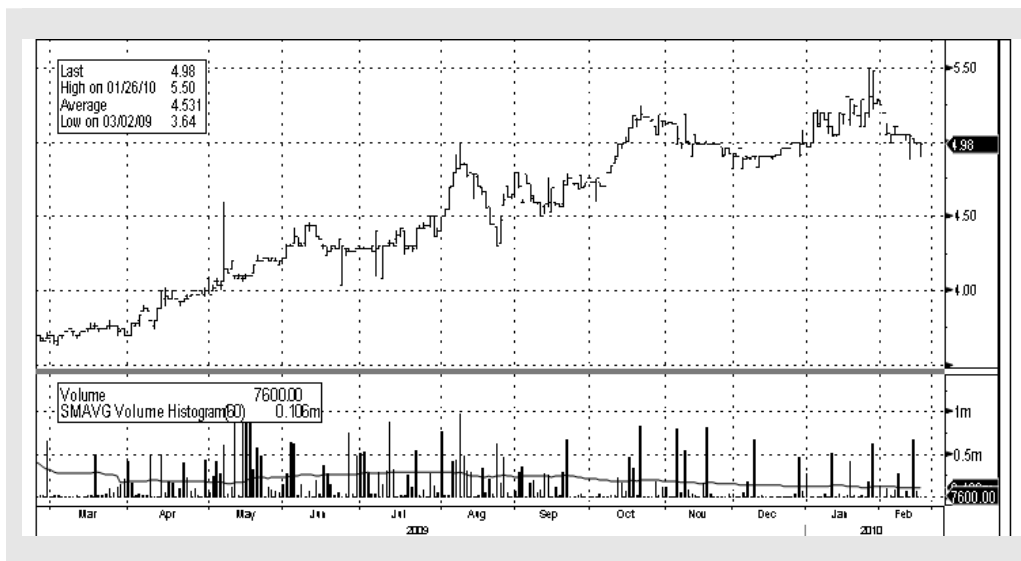
Source: Company, MIDFR

No. of Jusco stores



Source: Company, MIDFR

DAILY PRICE CHART



Zulkifli Hamzah
Belford Chang
Chang.kz@midf.com.my
03-2173 8392

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 (Bank Pelaburan)
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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

OVERWEIGHT	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.
UNDERWEIGHT	The sector is expected to underperform the overall market over the next 12 months.