Corporate Update

Aeon Co. (M) Berhad
(6599 | AEON MK) Main | Consumer Products & Services

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Briefing Note

Renovations Temper Retail, Outlook Steady

Maintain **BUY**
Unchanged Target Price **RM1.66**

Maintain BUY with an unchanged TP of RM1.66. We attended AEON's 3QFY25 results briefing, where management reiterated that the quarter was seasonally soft due to the absence of festive events, compounded by ongoing renovations at major stores which temporarily weighed on revenue and profitability. Retailing performance reflected cautious consumer spending, with smaller basket sizes and a shift toward food essentials, while higher renovation-related operating costs and product mix pressures drove segmental margins below expectations. In contrast, Property Management Services (PMS) remained a key stabiliser, supported by effective rental renewals, steady tenant sales, and healthy occupancy rates. We maintain our **BUY** call with an unchanged **TP of RM1.66**, based on an unchanged 15.5x PER pegged to FY25F EPS of 10.7 sen.

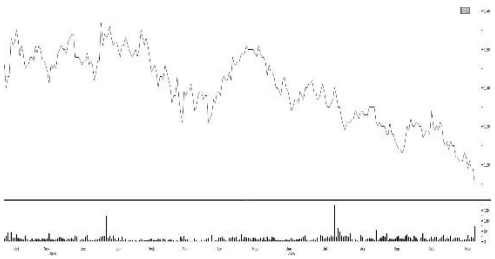
Retail performance impacted by renovation cycle, mix shift and cautious sentiment. Management highlighted that renovation works at AEON Mall Melaka and AEON Shah Alam had a prominent impact on retail performance in 3QFY25, noting that renovation capex in FY25 was 20–30% higher than typical years. Retail margins were also diluted by a shift away from higher-margin softline/hardline categories toward food essentials, consistent with consumers' prioritisation of necessities. Despite this, footfall trends remained stable, supported by marketing campaigns (e.g., Mooncake Festival "Time Out Day" initiatives), and private-label penetration continued to grow, now accounting for 17% of retail sales. Management expects retail margins to remain temporarily soft in FY25–26 but to normalise as renovated stores recover and productivity initiatives such as automation, self-checkout (currently at 45% utilisation), and supply-chain efficiency take effect.

Expansion and renovation pipeline progressing; positive early signs from reopened malls. Management provided a detailed update on expansion and refurbishment plans. Renovated AEON Mall Melaka and AEON Mall Shah Alam have reopened with encouraging footfall traction, while AEON Bukit Indah is scheduled to fully reopen in December. The pipeline remains active: AEON Style Setia Ecohill opens this December, AEON Kuantan at East Coast Mall is set for Jan 2026 (timed for festive demand), and AEON Midtown is on track for 2H26. AEON Seremban 2's major expansion will complete in 2027, while Kinta City's redevelopment is targeted for 2028. These upgrades aim to position AEON's malls as higher-quality destinations capable of sustaining tenant productivity and long-term rental growth.

FY25 guidance maintained. Management reaffirmed full-year PAT margin guidance of ~3%, though retail margin expectations were revised down to <2%, offset by PMS margin guidance being revised upward to >40%. Electricity savings of ~10% from the new tariff structure should provide some relief. Importantly, footfall normalised after temporary diversion from SARA credit usage earlier in the quarter, and management remains cautiously optimistic heading into the year-end festive period.

RETURN STATISTICS	
Price @ 20th Nov 2025 (RM)	1.15
Expected share price return (%)	+44.6
Expected dividend yield (%)	+3.7
Expected total return (%)	+48.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-10.9	-11.6
3 months	-11.5	-16.5
12 months	-20.7	-21.8

INVESTMENT STATISTICS

FYE DEC (RM'm)	2025F	2026F	2027F
Revenue	4,339.8	4,476.4	4,642.2
EBITDA	736.3	763.1	783.4
PBT	247.2	270.6	290.0
Core PATANCI	150.8	165.1	176.9
Core EPS (sen)	10.7	11.7	12.6
DPS (sen)	4.3	4.7	6.3
Dividend Yield (%)	3.7	3.9	5.3

KEY STATISTICS

FBM KLCI	1,619.96
Issued shares (m)	1404.00
Estimated free float (%)	37.54
Market Capitalisation (RM'm)	1,614.60
52-wk price range	RM1.13 - RM1.58
3-mth average daily volume (m)	1.73
3-mth average daily value (RM'm)	2.21
Top Shareholders (%)	
Aeon Co Ltd	52.03
Employees Provident Fund Board	13.24
Blackrock Inc	1.32

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Outlook. We maintain a positive view on AEON's prospects, underpinned by steady consumer spending and supportive government measures that help sustain household demand as PMS anchors the group's earnings, backed by healthy occupancy levels and consistent rental revisions. Meanwhile, AEON's strategic focus on expanding its private label offering, strengthening its loyalty ecosystem, advancing digital initiatives, and upgrading its mall network is expected to enhance customer stickiness and support its long-term growth trajectory.

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	4,129.0	4,261.5	4,339.8	4,476.4	4,642.2
Gross Profit	1,798.8	1,768.3	1,878.5	1,950.3	2,022.5
EBITDA	713.2	714.0	736.3	763.1	783.4
EBIT	289.6	294.6	339.0	362.8	380.5
PBT	193.9	207.8	247.2	270.6	290.0
Taxation	(79.1)	(79.7)	(96.4)	(105.5)	(113.1)
PAT	114.8	128.0	150.8	165.1	176.9
Core PATANCI	127.6	158.6	150.8	165.1	176.9
Core EPS (sen)	9.1	11.3	10.7	11.7	12.6
PER (x)	14.5	13.0	11.1	10.1	9.5
DPS (sen)	4.0	4.5	4.3	4.7	6.3
Dividend Yield (%)	3.4	3.8	3.7	3.9	5.3

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	193.9	207.8	247.2	270.6	290.0
Operating cash flow	629.9	639.7	576.0	499.6	540.5
Investing cash flow	(367.3)	(230.8)	(381.8)	(371.1)	(384.6)
Financing cash flow	(415.1)	(137.3)	(289.6)	(111.3)	(136.0)
Net cash flow	(137.6)	271.5	(95.3)	17.2	20.0
Beginning cash flow	237.5	99.8	371.4	276.0	293.2
Ending cash flow	99.8	371.4	276.0	293.2	313.2

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth	(0.3)	3.2	1.8	3.1	3.7
Gross Profit Growth	4.8	(1.7)	6.2	3.8	3.7
EBITDA Growth	(6.5)	0.1	3.1	3.6	2.7
Core PATANCI Growth	(2.8)	24.3	(4.9)	9.5	7.2

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin	43.6	41.5	43.3	43.6	43.6
EBITDA Margin	17.3	16.8	17.0	17.0	16.9
EBIT Margin	7.0	6.9	7.8	8.1	8.2
Core PATANCI Margin	3.1	3.7	3.5	3.7	3.8

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	3,090.2	3,102.2	3,088.5	3,058.4	3,063.3
Intangible assets	39.3	28.6	28.8	28.9	29.1
Non-current assets	4,454.4	4,567.4	4,420.7	4,403.8	4,399.0
Inventories	553.4	614.1	576.3	591.5	613.4
ST - Trade receivables	98.1	60.2	80.6	83.1	87.9
Cash	99.8	371.4	276.0	293.2	313.2
Current assets	769.2	1,067.3	951.7	987.2	1,034.7
Total Assets	5,223.5	5,634.8	5,372.4	5,391.1	5,433.7
Total Equity	1,859.0	1,937.3	2,012.7	2,111.7	2,200.2
LT Loans	370.0	590.0	376.0	372.3	368.5
Non-current liabilities	1,865.0	2,161.9	1,909.4	1,864.6	1,821.8
ST Trade payables	1,185.7	1,228.5	1,189.2	1,220.6	1,304.1
ST Loans	50.0	30.0	19.1	18.9	18.7
Current Liabilities	1,499.5	1,535.6	1,450.4	1,414.7	1,411.7
Total Liabilities	3,364.5	3,697.5	3,359.7	3,279.4	3,233.5

Source: Bloomberg, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology