Corporate Update

Aeon Co. (M) Berhad

(6599 | AEON MK) Main | Consumer Products & Services

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

2QFY26 Results Review
PMS Resilience Lifts Earnings

Maintain BUY with higher TP of RM1.61. AEON's 1HFY26 results came in above expectations, driven by stronger-than-expected earnings delivery from its Property Management Services (PMS) segment despite a softer retail backdrop. We revise our FY26/27/28 earnings forecasts higher by +9%/+5%/+19% and lift our **TP to RM1.61** from RM1.47, based on an unchanged 14.5x PER pegged to revised FY26F EPS of 11.1 sen. We maintain our **BUY** call, supported by AEON's defensive PMS earnings base and still-attractive valuation.

Above expectations. AEON posted 2QFY26 revenue of RM995.4m (-0.4%yoy; -19.9%qoq) and core PATANCI of RM14.9m (+12.0%yoy; -82.3%qoq). For 1HFY26, revenue was broadly stable at RM2.24b (-0.3%yoy), while core PATANCI rose +19.7%yoy to RM98.9m, accounting for 69% of our full-year forecast and 64% of consensus. PMS profitability continued to outperform while group margins improved despite weaker retail revenue. No dividend was declared, in line with AEON's typical 4Q payout cycle.

Retail softer after festive boost, PMS remained resilient. Group revenue moderated sequentially after the strong 1QFY26 festive quarter. Retail revenue fell to RM795.4m in 2QFY26 (-1.2%yoy; -22.8%qoq), reflecting softer discretionary spending and post-festive normalisation. For 1HFY26, retail revenue eased -1.1%yoy to RM1.83b. In contrast, PMS revenue remained resilient at RM200.0m in 2QFY26 (+3.0%yoy; -5.9%qoq), bringing 1HFY26 PMS revenue to RM412.5m (+3.5%yoy), supported by stable occupancy, rental renewals and tenancy mix optimisation. PMS continues to be the key earnings anchor for AEON, cushioning volatility from the retail segment which continued to see a shift toward lower margin essential goods from discretionary goods.

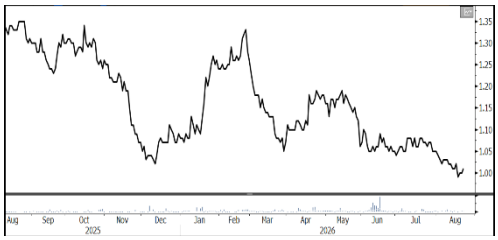
Earnings supported by PMS margin strength. 2QFY26 operating profit increased +13.8%yoy to RM46.3m, although it declined -70.9%qoq from the high 1QFY26 festive base. Core PATANCI margin improved slightly to 1.5% (+0.2ppts yoy; -5.3ppts qoq). Segmentally, PMS operating profit rose +15.1%yoy to RM90.0m, with margin expanding to 45.0% (+4.7ppts yoy), supported by stronger rental contribution and better cost efficiency. Retail remained the weaker spot, recording an operating loss of RM32.4m in 2QFY26 versus a loss of RM28.3m in 2QFY25, as softer topline and operating cost pressure weighed on profitability. For 1HFY26, group operating profit rose +17.9%yoy to RM205.2m, with operating margin expanding +1.4ppts yoy to 9.2%.

Maintain **BUY**

Revised Target Price **RM1.61**
(from RM1.47)

RETURN STATISTICS	
Price @ 21st Aug 2026 (RM)	1.10
Expected share price return (%)	+46.4
Expected dividend yield (%)	+4.0
Expected total return (%)	+50.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.7	-6.7
3 months	-3.8	-12.6
12 months	-25.2	-31.2

INVESTMENT STATISTICS

FYE DEC (RM'm)	2026F	2027F	2028F
Revenue	4,278.2	4,425.0	4,559.6
EBITDA	788.5	838.1	873.0
PBT	253.8	286.9	304.4
Core PATANCI	156.1	176.4	187.2
Core EPS (sen)	11.1	12.6	13.3
DPS (sen)	4.4	6.3	6.7
Dividend Yield (%)	4.0	5.7	6.1

KEY STATISTICS

FBM KLCI	1,736.48
Issued shares (m)	1404.00
Estimated free float (%)	37.03
Market Capitalisation (RM'm)	1,418.04
52-wk price range	RM0.99 - RM1.37
3-mth average daily volume (m)	1.93
3-mth average daily value (RM'm)	2.05
Top Shareholders (%)	
Aeon Co Ltd	51.00
Employees Provident Fund Board	7.69
Kumpulan Wang Persaraan Diperbadan	6.20

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Outlook. We remain constructive on AEON's prospects, supported by its resilient PMS segment, which continues to provide a stable recurring earnings base through occupancy stability, rental renewals and tenant mix optimisation. While retail spending may remain measured amid cautious consumer sentiment and selective discretionary demand, AEON should continue to benefit from its established mall footprint, essential retail exposure and ongoing initiatives to strengthen private brands, loyalty engagement, digitalisation and asset enhancement. Key watchpoints include retail sales momentum, PMS margin sustainability, tenant sales, cost discipline and the pace of consumer recovery. Overall, we maintain **BUY** with a higher **TP of RM1.61.**

Aeon Co: 2QFY26 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Revenue	995.4	1,242.3	999.6	(0.4)	(19.9)	2,237.7	2,244.4	(0.3)
Total operating expenses	(953.9)	(1,088.1)	(964.6)	(1.1)	(12.3)	(2,042.0)	(2,083.1)	(2.0)
Other operating income	4.8	4.7	5.7	(15.8)	2.1	9.5	12.8	(25.8)
Operating profit (EBIT)	**46.3**	**158.9**	**40.7**	**13.8**	**(70.9)**	**205.2**	**174.1**	**17.9**
Net finance income/(cost)	(20.9)	(20.9)	(22.7)	(7.9)	0.0	(41.8)	(45.4)	(7.9)
Profit before tax (PBT)	**23.7**	**135.4**	**18.6**	**27.4**	**(82.5)**	**159.1**	**129.3**	**23.0**
Income tax expense	(9.5)	(51.7)	(6.3)	50.8	(81.6)	(61.2)	(48.9)	25.2
Profit After tax (PAT)	**14.2**	**83.7**	**12.3**	**15.4**	**(83.0)**	**97.9**	**80.4**	**21.8**
PATANCI	14.2	83.7	12.3	15.4	(83.0)	97.9	80.4	21.8
Core PATANCI	**14.9**	**84.0**	**13.3**	**12.0**	**(82.3)**	**98.9**	**82.6**	**19.7**
Basic EPS (sen)	1.0	6.0	0.9	14.8	(83.1)	7.0	5.7	21.6
DPS (sen)	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Operating Profit Margin	4.7	12.8	4.1	0.6	(8.1)	9.2	7.8	1.4
PBT Margin	2.4	10.9	1.9	0.5	(8.5)	7.1	5.8	1.3
Core PATANCI Margin	1.5	6.8	1.3	0.2	(5.3)	4.4	3.7	0.7
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Effective tax rate (%)	40.1	38.2	33.9	6.2	1.9	40.1	33.9	6.2

Source: Company, MBSBR

Aeon Co: Breakdown by operating segment

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Revenue (External):								
Retailing	795.4	1,029.8	805.4	(1.2)	(22.8)	1,825.2	1,845.8	(1.1)
PMS	200.0	212.5	194.2	3.0	(5.9)	412.5	398.6	3.5
Total	**995.4**	**1,242.3**	**999.6**	**(0.4)**	**(19.9)**	**2,237.7**	**2,244.4**	**(0.3)**
Operating Profit:								
Retailing	(32.4)	49.0	(28.3)	14.5	(166.1)	16.6	26.1	(36.4)
PMS	90.0	116.5	78.2	15.1	(22.7)	206.5	165.1	25.1
Total	**57.6**	**165.5**	**49.9**	**15.4**	**(65.2)**	**223.1**	**191.2**	**16.7**
Operating profit margin (%):				***+/(-) ppts***	***+/(-) ppts***			***+/(-) ppts***
Retailing	(4.1)	4.8	(3.5)	(0.6)	(8.8)	0.9	1.4	(0.5)
PMS	45.0	54.8	40.3	4.7	(9.8)	50.1	41.4	8.6
Total	**5.8**	**13.3**	**5.0**	**0.8**	**(7.5)**	**10.0**	**8.5**	**1.5**

Source: Company, MBSBR

PMS = Property Management services

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	4,261.5	4,288.9	4,278.2	4,425.0	4,559.6
Gross Profit	1,768.3	1,804.6	1,878.5	1,943.0	2,002.1
EBITDA	714.0	746.8	788.5	838.1	873.0
EBIT	294.6	302.5	346.4	377.9	393.8
PBT	207.8	210.6	253.8	286.9	304.4
Taxation	(79.7)	(76.8)	(97.7)	(110.4)	(117.2)
PAT	128.0	133.8	156.1	176.4	187.2
Core PATANCI	158.6	155.0	156.1	176.4	187.2
Core EPS (sen)	11.3	11.0	11.1	12.6	13.3
PER (x)	12.1	11.5	9.9	8.8	8.3
DPS (sen)	4.5	4.5	4.4	6.3	6.7
Dividend Yield (%)	4.1	4.1	4.0	5.7	6.1

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	207.8	210.6	253.8	286.9	304.4
Operating cash flow	639.7	616.6	749.9	520.6	538.9
Investing cash flow	(230.8)	(445.7)	(354.7)	(366.6)	(377.4)
Financing cash flow	(137.3)	(188.8)	(468.5)	(135.7)	(143.1)
Net cash flow	271.5	(17.9)	(73.2)	18.3	18.3
Beginning cash flow	99.8	371.4	353.5	280.3	298.6
Ending cash flow	371.4	353.5	280.3	298.6	316.9

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth	3.2	0.6	(0.2)	3.4	3.0
Gross Profit Growth	(1.7)	2.1	4.1	3.4	3.0
EBITDA Growth	0.1	4.6	5.6	6.3	4.2
Core PATANCI Growth	24.3	(2.3)	0.7	13.0	6.1

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin	41.5	42.1	43.9	43.9	43.9
EBITDA Margin	16.8	17.4	18.4	18.9	19.1
EBIT Margin	6.9	7.1	8.1	8.5	8.6
Core PATANCI Margin	3.7	3.6	3.6	4.0	4.1

Balance Sheet (RM'm)	2024A	2025A	2026F	2027F	2028F
PPE	3,102.2	3,184.6	2,993.0	2,994.4	2,954.6
Intangible assets	28.6	17.0	28.9	29.1	29.2
Non-current assets	4,567.4	4,653.5	4,277.7	4,249.7	4,173.7
Inventories	614.1	658.6	636.2	658.0	678.0
ST - Trade receivables	60.2	60.1	79.5	83.8	88.1
Cash	371.4	353.5	280.3	298.6	316.9
Current assets	1,067.3	1,091.4	1,014.4	1,059.6	1,102.8
Total Assets	5,634.8	5,744.9	5,292.1	5,309.2	5,276.4
Total Equity	1,937.3	2,002.9	2,096.6	2,184.8	2,278.4
LT Loans	590.0	560.0	372.3	368.5	364.8
Non-current liabilities	2,161.9	2,062.0	1,861.0	1,817.8	1,775.7
ST Trade payables	1,228.5	1,216.3	1,159.2	1,235.3	1,311.4
ST Loans	30.0	230.0	18.9	18.7	18.6
Current Liabilities	1,535.6	1,734.1	1,334.6	1,306.7	1,222.4
Total Liabilities	3,697.5	3,742.0	3,195.6	3,124.5	2,998.1

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

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