

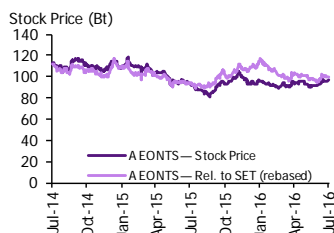
BUY

Stock Data

Last close (Jul 7) (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)	690

Bloomberg code	AEONTS TB
Reuters code	AEONTS.BK
Risk rating	H
Mkt cap (%) SET	0.17
Sector % SET	2.04
Shares issued (mn)	250
Par value (Bt)	1.00
12-m high / low (Bt)	107 / 80.3
Avg. daily 6m (US\$mn)	0.10
Foreign limit / actual (%)	49 / 49
Free float (%)	29.9
Dividend policy (%)	≥ 30

Price Performance



Source: SET, SCBS Investment Research

Share performances

	1M	3M	12M
Absolute	5.4	3.5	5.4
Relative to SET	4.6	(2.7)	6.4

Source: SET, SCBS Investment Research

1QFY15: Not a surprise; recovery on the way

Slightly below expectations, 1QFY16 profit (March – May) fell 1% YoY and 20% QoQ (as opex returned to normal after the abnormal low in FY4Q15) to Bt516mn. However, we saw positive developments in loan growth, NIM and NPLs/asset quality. Net interest income (including fee income) rose 7% QoQ, driven by a loan growth of 2% YTD (vs. our 7% full-year forecast) and a big NIM expansion (+101 bps QoQ) both from rising yield (+85 bps QoQ) and easing cost of funds (-24 bps QoQ). Provisions rose seasonally at 10% QoQ. However, its NPL ratio fell to 2.99% from 3.34% at FY4Q15.

Figure 1: Quarterly results

P & L (Bt mn)	1Q15	4Q15	1Q16	%YoY ch	%QoQ ch	% full year
Net interest income	3,234	3,180	3,398	5	7	24
Non-interest income	380	425	380	0	(11)	21
Operating expenses	1,805	1,659	1,880	4	13	24
Pre-provision profit	1,809	1,946	1,898	5	(2)	22
Less Provision	1,155	1,131	1,240	7	10	24
Pre-tax profit	654	816	658	1	(19)	20
Income tax	132	168	137	4	(19)	20
Net profit	524	642	516	(1)	(20)	19
EPS (Bt)	2.09	2.57	2.06	(1)	(20)	19
B/S (Bt mn)	1Q15	4Q15	1Q16	%YoY ch	%QoQ ch	% full year
Gross loans	59,725	63,127	64,742	8	2	NM
Liabilities	54,248	58,616	60,804	12	4	NM
BVPS (Bt)	43.84	48.08	50.75	16	6	NM
Ratios (%)	1Q15	4Q15	1Q16	%YoY ch*	%QoQ ch*	% full year
Yield on earn. asset	25.68	23.86	24.71	(0.97)	0.85	NM
Cost of funds	4.67	4.13	3.89	(0.78)	(0.24)	NM
Net interest margin	21.81	20.25	21.26	(0.55)	1.01	NM
Cost to income	49.95	46.02	49.74	(0.21)	3.72	NM
NPLs/gross loans	3.30	3.34	2.99	(0.31)	(0.35)	NM
Provision/Loans	7.74	7.16	7.66	(0.07)	0.50	NM
LLR/NPLs	123.35	114.13	121.82	(1.53)	7.68	NM

Source: SCBS Investment Research

Note: * Percentage points

Better outlook in 2H16 and 2017. We expect AEONTS' business volume to pick up in the second half of this year, backed by the start of a recovery in farm income, plus government measures to help farmers and a rise in wages. Farm income growth returned to positive at 5% YoY in April for the first time since 2015, and we expect it to continue to get better as crop prices improve. Additionally, the cabinet just approved a Bt45bn package to help farmers. It also approved a hike in minimum wage to Bt360-550/day from Bt300/day in five industries, expected to take effect in August. We expect loan growth to pick up from 7% in FY2015 to 8% in FY2016 and to 10% in FY2017.

Buy with good valuation as it is in recovery mode. We see its valuation as undemanding at 9x PER and 1.7x PBV relative to 21% ROE for FY2016 with loan growth picking up, cost of funds and opex coming down and high growth potential at its CLMV subsidiaries.

Forecasts and valuation

FY Feb of the following year	Unit	FY2014	FY2015	FY2016F	2017F	2018F
Net profit	(Btmn)	2,418	2,446	2,678	2,954	3,379
EPS	(Bt)	9.67	9.79	10.71	11.82	13.52
BVPS	(Bt)	41.78	48.08	55.24	63.21	72.49
DPS	(Bt)	3.45	3.45	3.75	4.14	4.73
PER (x)	(x)	10.06	9.94	9.08	8.23	7.19
EPS growth	(%)	-3.36	1.19	9.46	10.31	14.41
PBV	(x)	2.33	2.02	1.76	1.54	1.34
ROE	(%)	24.99	21.78	20.73	19.95	19.92
Dividend yields	(%)	3.55	3.55	3.85	4.25	4.87

Source: SCBS Investment Research

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Fundamental Investment

Analyst on Securities

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Financial statement

Profit and Loss Statement (Btmn)

FY Feb 20 of the following year	2014	2015	2016F	2017F	2018F
Interest & dividend income	15,248	15,527	16,646	18,148	19,961
Interest expense	2,358	2,303	2,310	2,487	2,735
Net interest income	12,890	13,225	14,336	15,662	17,226
Non-interest income	1,960	1,904	1,851	1,844	1,947
Non-interest expenses	6,827	7,294	7,731	8,195	8,769
Earnings before tax & provision	8,022	7,835	8,455	9,311	10,405
Tax	611	625	668	737	844
Equities & minority interest	21	(9)	4	4	4
Core pre-provision profit	7,433	7,200	7,791	8,577	9,565
Provision	5,015	4,754	5,113	5,623	6,186
Core net profit	2,418	2,446	2,678	2,954	3,379
Extra item	0	0	0	0	0
Net profit	2,418	2,446	2,678	2,954	3,379
EPS (Bt)	9.67	9.79	10.71	11.82	13.52
DPS (Bt)	3.45	3.45	3.75	4.14	4.73

Balance Sheet (Btmn)

FY Feb 20 of the following year	2014	2015	2016F	2017F	2018F
Cash	2,769	2,925	3,049	3,075	3,087
Gross loans	58,914	63,127	68,177	74,977	82,474
Loan loss reserve	2,428	2,403	2,915	3,477	4,095
Net loans	56,485	60,723	65,262	71,500	78,379
Total assets	64,392	70,721	75,432	81,746	88,689
Borrowings	49,452	56,051	58,972	63,294	67,916
Total liabilities	53,947	58,616	61,537	65,859	70,481
Paid-up capital	250	250	250	250	250
Total Equities	10,444	12,021	13,811	15,803	18,123
BVPS (Bt)	41.78	48.08	55.24	63.21	72.49

Key Financial Ratios & Key assumptions

	2014	2015	2016F	2017F	2018F
Loan growth (%)	7.5	7.2	8.0	10.0	10.0
Yield on earn'g assets (%)	26.8	25.4	25.4	25.4	25.4
Cost on int-bear'g liab (%)	4.9	4.4	4.1	4.1	4.2
Spread (%)	22.0	21.0	21.3	21.2	21.1
Net interest margin(%)	22.7	21.7	21.8	21.9	21.9
ROA (%)	3.9	3.6	3.7	3.8	4.0
ROE (%)	25.0	21.8	20.7	19.9	19.9
NPLs/ Total Loans (%)	3.4	3.3	3.4	3.4	3.5
Provision/Total loans (%)	8.5	7.5	7.5	7.5	7.5
LLR/NPLs(%)	121.9	114.1	125.6	134.9	143.1
Cost to income ratio (%)	46.0	48.2	47.8	46.8	45.7
D/E (x)	5.2	4.9	4.5	4.2	3.9

Loan breakdown

	2014	2015	2016F	2017F	2018F
Hire purchase	2.6	2.6	2.6	2.6	2.6
Personal loans	59.4	56.9	56.9	57.0	57.0
Credit card loans	37.7	40.2	40.2	40.2	40.2

12-Month Cumulative directors trade

NA

Profit and Loss Statement (Btmn)

FY Feb 20 of the following year	1Q15	2Q15	3Q15	4Q15	1Q16
Interest & dividend income	3,808	3,972	4,001	3,747	3,949
Interest expense	574	583	579	567	552
Net interest income	3,234	3,389	3,421	3,180	3,398
Non-interest income	380	571	527	425	380
Non-interest expenses	1,805	1,843	1,986	1,659	1,880
Earnings before tax & provision	1,809	2,117	1,962	1,946	1,898
Tax	132	182	143	168	137
Equities & minority interest	2	(1)	(5)	(5)	(5)
Core pre-provision profit	1,679	1,935	1,814	1,772	1,756
Provision	1,155	1,204	1,265	1,131	1,240
Core net profit	524	731	550	642	516
Extra item	0	0	0	0	0
Net profit	524	731	550	642	516
EPS (Bt)	2.09	2.93	2.20	2.57	2.06

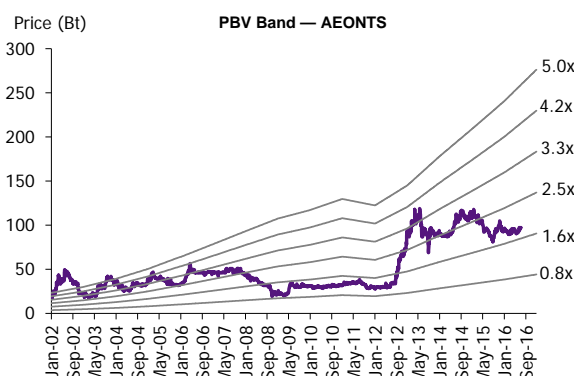
Balance Sheet (Btmn)

FY Feb 20 of the following year	1Q15	2Q15	3Q15	4Q15	1Q16
Cash	2,366	2,542	2,658	2,925	3,835
Gross loans	59,725	61,134	62,504	63,127	64,742
Loan loss reserve	2,431	2,574	2,672	2,403	2,357
Net loans	57,294	58,560	59,832	60,723	62,385
Total assets	65,209	68,146	69,731	70,721	73,567
Borrowings	51,094	54,167	56,207	56,051	59,683
Total liabilities	54,248	56,849	58,266	58,616	60,804
Paid-up capital	250	250	250	250	250
Total Equities	10,961	11,228	11,386	12,021	12,688
BVPS (Bt)	43.84	44.91	45.55	48.08	50.75

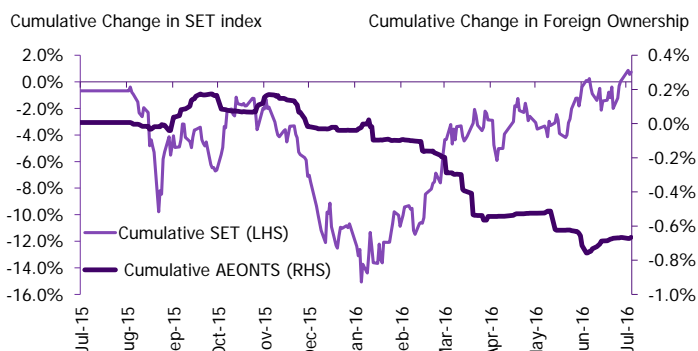
Key Financial Ratios

	1Q15	2Q15	3Q15	4Q15	1Q16
Yield on earn'g assets (%)	25.68	26.29	25.89	23.86	24.71
Cost on int-bear'g liab (%)	4.67	4.58	4.34	4.13	3.89
Net interest margin(%)	21.81	22.44	22.14	20.25	21.26
NPLs/ Total Loans(%)	3.30	3.50	3.67	3.34	2.99
Provision/Total loans (%)	7.74	7.88	8.09	7.16	7.66
LLR/NPLs(%)	123.35	120.13	116.54	114.13	121.82
Cost to income ratio (%)	49.95	48.88	51.73	46.02	49.74

PBV Band



12 Month cumulative chg in foreign ownership versus cumulative chg in SET index



Source: SET, SCBS Investment Research

Figure 2: Valuation summary (Closing price as of Jul 7, 2016)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					15A	16F	17F	15A	16F	17F	15A	16F	17F	15A	16F	17F	15A	16F	17F
AEONTS	Buy	97.25	115.0	22.1	9.9	9.1	8.2	1	9	10	2.0	1.8	1.5	22	21	20	3.5	3.9	4.3
KTC	Neutral	98.00	102.0	7.6	12.2	11.3	9.8	18	8	16	2.9	2.5	2.1	26	24	24	3.3	3.5	4.1
Average					11.1	10.2	9.0	10	9	13	2.5	2.1	1.8	24	22	22	3.4	3.7	4.2

Source: SCBS Investment Research

CG Rating 2015 Companies with CG Rating

ADVANC, BAFS, BCP, BIGC, BTS, CK, CPN, DRT, DTAC, DTC, EASTW, EGCO, GRAMMY, HANA, HMPRO, INTUCH, IRPC, IVL, KBANK, KCE, KKP, KTB, LHBANK, LPN, MCOT, MINT, MONO, NKI, PHOL, PPS, PS, PSL, PTT, PTTEP, PTTGC, QTC, RATCH, ROBINS, SAMART, SAMTEL, SAT, SC, SCB, SCC, SE-ED, SIM, SNC, SPALI, THCOM, TISCO, TKT, TMB, TOP, VGI, WACOAL

AAV, ACAP, AGE, AHC, AKP, AMATA, ANAN, AOT, APCS, ARIP, ASIMAR, ASK, ASP, BANPU, BAY, BBL, BDMS, BEM, BKI, BLA, BOL, BROOK, BWG, CENTEL, CFRESH, CHO, CIMBT, CM, CNT, COL, CPF, CPI, CSL, DCC, DELTA, DEMCO, ECF, EE, ERW, GBX, GC, GFPT, GLOBAL, GUNKUL, HOTPOT, HYDRO, ICC, ICHI, INET, IRC, KSL, KTC, LANNA, LH, LOXLEY, LRH, MACO, MBK, MC, MEGA, MFEC, NBC, NCH, NINE, NSI, NTV, OCC, OGC, OISHI, OTO, PAP, PDI, PE, PG, PJW, PM, PPP, PR, PRANDA, PREB, PT, PTG, Q-CON, QH, RS, S & J, SABINA, SAMCO, SCG, SEAFECO, SFP, SIAM, SINGER, SIS, SITHAI, SMK, SMPC, SMT, SNP, SPI, SSF, SSI, SSSC, SST, STA, STEC, SVI, SWC, SYMC, SYNTEC, TASCO, TBSP, TCAP, TF, TGCI, THAI, THANA, THANI, THIP, THRE, THREL, TICON, TIP, TIPCO, TK, TKS, TMI, TMILL, TMT, TNDT, TNITY, TNL, TOG, TPC, TPCORP, TRC, TRU, TRUE, TSC, TSTE, TSTH, TTA, TTCL, TTW, TU, TVD, TVO, TWPC, UAC, UT, UV, VNT, WAVE, WINNER, YUASA, ZMICO

2S, AEC, AEONTS, AF, AH, AIRA, AIT, AJ, AKR, AMANAH, AMARIN, AP, APCO, AQUA, AS, ASIA, AUCT, AYUD, BA, BEAUTY, BEC, BFIT, BH, BIG, BJC, BJCHI, BKD, BTNC, CBG, CGD, CHG, CHOW, CI, CITY, CKP, CNS, CPALL, CPL, CSC, CSP, CSS, CTW, DNA, EARTH, EASON, ECL, EFORL, ESSO, FE, FIRE, FOCUS, FORTH, FPI, FSMART, FSS, FVC, GCAP, GENCO, GL, GLAND, GLOW, GOLD, GYT, HTC, HTECH, IEC, IFEC, IFS, IHL, IRCP, ITD, JSP, JTS, JUBILE, KASET, KBS, KCAR, KGI, KKC, KTIS, KWC, KYE, L&E, LALIN, LHK, LIT, TT, LST, M, MAJOR, MAKRO, MATCH, MATI, MBKET, M-CHAI, MFC, MILL, MJD, MK, MODERN, MOONG, MPG, MSC, MTI, MTLS, NC, NOK, NUSA, NWR, NYT, OCEAN, PACE, PATO, PB, PCA, PCSGH, PDG, PF, PICO, PL, PLANB, PLAT, PPM, PRG, PRIN, PSTC, PTL, PYLON, QLT, RCI, RCL, RICHY, RML, RPC, S, SALEE, SAPPE, SAWAD, SCCC, SCN, SCP, SEAOIL, SIRI, SKR, SMG, SOLAR, SORKON, SPA, SPC, SPCG, SPPT, SPVI, SRICHA, SREK, STANLY, STPI, SUC, SUSCO, SUTHA, SYNEX, TAE, TAKUNI, TCC, TCCC, TCJ, TEAM, TFD, TFI, TIC, TIW, TLUXE, TMC, TMD, TOPP, TPCH, TPIPL, TRT, TSE, TSR, UMI, UP, UPF, UPOIC, UREKA, UWC, VIBHA, VIH, VPO, WHA, WIN, XO

Corporate Governance Report

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. SCB Securities Company Limited does not conform nor certify the accuracy of such survey result.

Anti-corruption Progress Indicator 2015**Level 5: Extended (ขยายผลผู้ที่เกี่ยวข้อง)**

BCP, CPN, GYT, PE, PM, PPP, PT, PTT, PTTGC, SAT, SCC, THANI, TOP

Level 4: Certified (ได้รับการรับรอง)

ADVANC, AMANAH, ASP, AYUD, BAFS, BANPU, BAY, BBL, BKI, BLA, BTS, CFRESH, CIMBT, CNS, CSL, DCC, DRT, DTC, EASTW, ECL, EGCO, ERW, FSS, GCAP, HANA, HTC, IFEC, INTUCH, IRPC, IVL, KBANK, KCE, KGI, KKP, KTB, LANNA, LHBANK, MBKET, MFC, MINT, MTI, NKI, PPS, PSL, PTG, PTTEP, SABINA, SCB, SINGER, SIS, SNC, SNP, SSF, SSI, SSSC, SVI, TCAP, THCOM, THRE, THREL, TISCO, TMB, TMD, TNITY, TOG, TSTH

Level 3B: Established by Commitment and Policy (มีมาตรการป้องกัน ตามคำมั่นและนโยบาย)

AAV, AHC, AIT, AKR, ARROW, ASK, BA, BDMS, BEC, BJCHI, CGH, CHG, CHOW, CIG, CITY, CK, CKP, COLOR, CWT, EARTH, EASON, EPG, F&D, FANCY, FIRE, FMT, FORTH, GENCO, GL, GOLD, GPSC, GRAMMY, HYDRO, IRCP, IT, JCT, KCM, KWC, LH, LIT, LOXLEY, MACO, MANRIN, MATI, MODERN, MSC, NOBLE, NOK, NPK, NUSA, OISHI, OTO, PAF, PAP, PATO, PF, PJW, PLANB, PLE, POLAR, PRG, PTL, Q-CON, QTC, RCI, S11, SALEE, SAM, SAMART, SAMTEL, SAPPE, SC, SCP, SFP, SIM, SLP, SMT, SPA, SPORT, SSC, SST, STEC, STPI, SUC, SUTHA, T, TAE, TBSP, TCC, TFD, TGCI, TGPRO, THANA, THIP, TIW, TK, TMW, TNDT, TOPP, TPC, TPCH, TPIPL, TSR, TT, TYCN, UAC, UBIS, UEC, UMI, UP, UPF, UT, UV, VPO, WAVE, WINNER, YUASA

Level 3A: Established by declaration of intent (มีมาตรการป้องกัน ตามคำประกาศเจตนารมณ์)

ABC, ACAP, AGE, AH, ANAN, AP, APCS, APURE, AS, ASIA, ASIAN, ASIMAR, BIGC, BROOK, BWG, CEN, CENTEL, CHARAN, CHO, CHOTI, CM, CNT, COL, CPF, CPI, CPL, DELTA, DEMCO, DIMET, DNA, DTAC, EA, ECF, EE, EVER, FPI, GBX, GC, GFPT, GLOW, HMPRO, HOTPOT, ICC, ICHI, INOX, INSURE, IRC, JAS, JTS, JUBILE, KC, KTC, KYE, LHK, LPN, LRH, MAKRO, MC, MCOT, MFEC, MJD, MONO, MOONG, NBC, NDR, NINE, NMG, NSI, NTV, OGC, PACE, PCSGH, PDI, PG, PHOL, PLAT, PR, PRANDA, PREB, PS, OLT, RATCH, RML, ROBINS, ROJNA, RWI, SAMCO, SCCC, SCG, SEAOIL, SE-ED, SENA, SITHAI, SMK, SMPC, SPALI, SPC, SPCG, SPI, SRICHA, STANLY, SUPER, SYMC, SYNEX, SYNTEC, TASCO, TCMC, TFI, THAI, TICON, TKT, TLUXE, TMILL, TMT, TNL, TPCORP, TSTE, TTCL, TU, TVI, UOBKH, UREKA, VGI, VNT, WACOAL, WHA, ZMICO

Level 2: Declared (ประกาศเจตนารมณ์)

2S, ABICO, AF, AIRA, AKP, ALUCON, AMARIN, AMATA, AOT, APCO, BEAUTY, BFIT, BH, BKD, BLAND, BROCK, BRR, BSBM, BTNC, CCP, CI, CSC, CSR, CSS, EFORL, EPCO, ESTAR, FE, FER, FNS, FVC, GEL, GLOBAL, GUNKUL, IEC, IFS, ILINK, INET, J, JMT, JUTHA, K, KASET, KBS, KCAR, KKC, KSL, KTECH, L&E, LALIN, LTX, M, MALEE, MBAX, MBK, MEGA, MILL, MK, MPG, MTLS, NCH, NCL, NNCL, NPP, OCC, OCEAN, PB, PCA, PDG, PRINC, PSTC, PYLON, QH, ROCK, ROH, RP, RPC, S & J, SGP, SIAM, SKR, SMG, SMIT, SORKON, SPACK, SPPT, SR, SUSCO, TAKUNI, TEAM, TF, TIC, TIP, TIPCO, TMC, TMI, TPA, TPP, TRT, TRU, TRUE, TSC, TSI, TTW, TVD, TVO, TVT, U, UKEM, UNIQ, UWC, VIBHA, VNG, WIUK, WIN, XO

Level 1: Committed (มีนโยบาย)

AEONTS, AFC, AJ, AMC, AQUA, ARIP, AUCTION, BAT-3K, BIG, BJC, BOL, CBG, CCET, CCN, CGD, CMR, CPH, CSP, CTW, DCON, DRACO, DSGT, DTCI, E, EMC, ESSO, FOCUS, FSMART, GIFT, GLAND, GRAND, GREEN, HFT, HTECH, IHL, ITD, JSP, KDH, KTIS, KTP, LEE, LST, MAJOR, MATCH, MAX, M-CHAI, MDX, MIDA, ML, MPIC, NC, NEP, NWR, OHTL, PICO, PK, PL, PPM, PRAKIT, PRECHA, PRIN, RAM, RICH, RS, SANKO, SAUCE, SAWAD, SAWANG, SCN, SEAFECO, SF, SHANG, SIRI, SMART, SMM, SOLAR, SPG, SPVI, STA, STAR, SVH, SVOA, SWC, TAPAC, TC, TCCC, TCJ, TCOAT, TH, TKS, TNH, TNPC, TPAC, TPOLY, TRC, TRUBB, TSE, TTA, TTI, TTL, TTTM, TWP, TWZ, UMS, UPA, UPOIC, UTP, UVAN, VARO, VI, VIH, VTE, WG

Anti-corruption Progress Indicator

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by ThaiPat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. ThaiPat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-Corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of ThaiPat Institute that is a third party. It is not an assessment of operations and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, SCB Securities Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment result.

Reference

Level 5: Extended – Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases

Level 4: Certified – Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)

Level 3: Established – Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes

Level 3A: Established by declaration of intent, Level 3B: Established by Commitment and Policy

Level 2: Declared – Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives

Level 1: Committed – Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws