



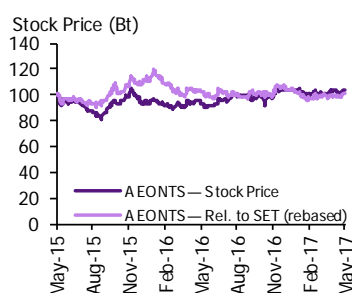
BUY

Stock Data

Last close (May 5) (Bt)	105.00
12-m target price (Bt)	120.00
Upside (Downside) to TP (%)	14.29
Mkt cap (Btbn)	26.25
Mkt cap (US\$mn)	757

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)	106 / 89.8
Avg. daily 6m (US\$mn)	0.10
Foreign limit / actual (%)	49 / 49
Free float (%)	30.0
Dividend policy (%)	≥ 30

Price Performance



Source: SET, SCBS Investment Research

Share performances

	1M	3M	12M
Absolute	1.9	4.5	12.6
Relative to SET	2.8	5.8	0.1

Source: SET, SCBS Investment Research

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Asset quality and loan growth recovering

AEONTS is seeing a steady improvement in asset quality after bulking up its debt collection team; it is also enjoying recovering loan growth off a greater focus on its credit card business plus growing contribution from its CLM subsidiaries. We still BUY with an unchanged TP of Bt120.

Better asset quality with larger debt collection team. AEONTS's asset quality improved materially in FY4Q16: credit cost fell 98 bps QoQ and NPL ratio came down 23 bps QoQ. This was underwritten by adding 120 staff to its debt collection team in the south after moving its collection hub to a larger office. This led to continued debt collection improvement in March-April. The improvement also reflects the tightening of its credit policy. We expect a slight easing in credit cost to 7.86% in FY2017 from 7.92% in FY2016.

Returning to double-digit loan growth. AEONTS expects to return to double-digit loan growth in FY2017 and we concur, forecasting a doubling in loan growth to 10% in FY2017 from 5% in FY2016. The company targets >10% growth in credit card loans in FY2017 vs. 13% in FY2016. It aims to resume growing personal loans at 7-8% after gearing down on these loans in FY2016. We believe the personal loan business will benefit from recovering farm income, rising wages and the new personal income tax scheme. AEONTS plans to continue to put more effort into its credit card business in FY2017 to diversify its client base more toward the mid-to-high income segment after lifting the proportion of mid-to-high income clients to 14% in FY2016 from 10% in FY2015. Marketing plans for FY2017 include: 1) a new privilege card, 2) a new co-branded card, 3) Samsung-Pay, 4) digitalization with card issuance at points of sale and 5) card acquisition via mobile application.

NIM falling. We expect NIM to head into a downtrend as a result of falling loan yield as it gears more toward credit card loans from personal loans plus a rise in cost of funds in concert with the rise in bond yield. We expect cost of funds to bottom in FY2017 as a result of rising bond yield after two years of slippage. AEONTS plans to lower the proportion of L-T funding (71% as of FY2016) to ease the impact of rising bond yield on its cost of funds. We forecast a 5 bps fall in NIM in FY2017 and FY2018.

Rising contribution from CLM subsidiaries. AEONTS' revenue from subsidiaries in Cambodia, Laos and Myanmar (CLM) rose 30% to Bt457mn in FY2016, raising contribution from CLM subsidiaries to 3% in FY2016 from 2% FY2015. AEONTS projects a jump of 52% in CLM subsidiary revenue to Bt696mn (4% of total revenue) in FY2017 and 55% to Bt1.1bn (6% of total revenue) in FY2018. It targets a 47% CAGR in CLM subsidiary revenue in FY2017-FY2020 to achieve a 10% revenue contribution by FY2020 from 3% in FY2016. Its Cambodia subsidiary started offering credit cards in FY2016 and plans to move to e-banking in FY2017. Its Myanmar subsidiary will expand from personal loans into motorcycle hire-purchase in FY2017 and its Laos subsidiary will get into the black in FY2017.

Maintain Buy with unchanged TP of Bt120. AEONTS is trading at an undemanding valuation (9.7x PER and 1.7x PBV relative to 18% ROE in FY2017). A better business environment will allow a continued improvement in asset quality and a recovery in loan growth and it will also bank rising contribution from its CLM subsidiaries.

Forecasts and valuation

FY Feb of the following year	Unit	FY2015	FY2016	FY2017F	FY2018F	FY2019F
Net profit	(Btbn)	2,446	2,403	2,632	2,940	3,368
EPS	(Bt)	9.79	9.61	10.53	11.76	13.47
BVPS	(Bt)	48.1	54.7	61.7	69.8	79.1
DPS	(Bt)	3.45	3.45	3.55	4.12	4.72
PER (x)	(x)	10.7	10.9	10.0	8.9	7.8
EPS growth	(%)	1	(2)	10	12	15
PBV	(x)	2.18	1.92	1.70	1.50	1.33
ROE	(%)	21.8	18.7	18.1	17.9	18.1
Dividend yields	(%)	3.29	3.29	3.38	3.92	4.49

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY Feb 20 of the following year	2015	2016	2017F	2018F	2019F
Interest & dividend income	15,527	15,904	17,005	18,673	20,485
Interest expense	2,303	2,110	2,222	2,474	2,795
Net interest income	13,225	13,794	14,783	16,198	17,690
Non-interest income	1,904	1,855	1,914	1,968	2,026
Non-interest expenses	7,294	7,509	7,960	8,358	8,776
Earnings before tax & provision	7,835	8,140	8,737	9,809	10,940
Tax	625	595	664	742	849
Equities & minority interest	(9)	(24)	(25)	(27)	(28)
Core pre-provision profit	7,200	7,521	8,047	9,040	10,063
Provision	4,754	5,117	5,415	6,101	6,694
Core net profit	2,446	2,403	2,632	2,940	3,368
Extra item	0	0	0	0	0
Net profit	2,446	2,403	2,632	2,940	3,368
EPS (Bt)	9.79	9.61	10.53	11.76	13.47
DPS (Bt)	3.45	3.45	3.55	4.12	4.72

Balance Sheet (Btmn)

FY Feb 20 of the following year	2015	2016	2017F	2018F	2019F
Cash	2,925	3,649	3,143	3,224	3,284
Gross loans	63,127	66,128	72,726	79,787	87,566
Loan loss reserve	2,403	2,259	2,801	3,411	4,080
Net loans	60,723	63,868	69,925	76,376	83,486
Total assets	70,721	72,638	78,241	84,829	92,055
Borrowings	56,051	57,442	61,300	65,860	70,772
Total liabilities	58,616	58,865	62,724	67,284	72,196
Paid-up capital	250	250	250	250	250
Total Equities	12,021	13,679	15,423	17,451	19,765
BVPS (Bt)	48.08	54.72	61.69	69.80	79.06

Key Financial Ratios & Key assumptions

	2015	2016	2017F	2018F	2019F
Loan growth (%)	7.2	4.8	10.0	9.7	9.8
Yield on earn'g assets (%)	25.45	24.61	24.49	24.49	24.48
Cost on int-bear'g liab (%)	4.41	3.80	3.86	4.01	4.21
Spread (%)	21.03	20.81	20.63	20.48	20.27
Net interest margin(%)	21.67	21.34	21.29	21.24	21.14
ROA (%)	3.62	3.35	3.49	3.61	3.81
ROE (%)	21.78	18.70	18.09	17.89	18.10
NPLs/ Total Loans (%)	3.34	2.71	2.74	2.77	2.79
Provision/Total loans (%)	7.53	7.74	7.45	7.65	7.64
LLR/NPLs(%)	114.1	126.0	140.7	154.6	166.8
Cost to income ratio (%)	48.2	48.0	47.7	46.0	44.5
D/E (x)	4.9	4.3	4.1	3.9	3.7

Loan breakdown

	2015	2016	2017F	2018F	2019F
Hire purchase	2.6	2.2	2.0	1.9	1.8
Personal loans	56.9	54.2	53.2	52.4	51.5
Credit card loans	40.2	43.4	44.6	45.5	46.5

12-Month Cumulative directors trade

NA

Profit and Loss Statement (Btmn)

FY Feb 20 of the following year	4Q15	1Q16	2Q16	3Q16	4Q16
Interest & dividend income	3,747	3,949	4,068	3,949	3,938
Interest expense	567	552	532	516	511
Net interest income	3,180	3,398	3,536	3,433	3,427
Non-interest income	425	380	379	410	687
Non-interest expenses	1,659	1,880	1,886	1,874	1,869
Earnings before tax & provision	1,946	1,898	2,028	1,969	2,245
Tax	168	137	142	121	195
Equities & minority interest	(5)	(5)	(5)	(2)	(13)
Core pre-provision profit	1,772	1,756	1,881	1,847	2,037
Provision	1,131	1,240	1,309	1,367	1,201
Core net profit	642	516	572	480	836
Extra item	0	0	0	0	0
Net profit	642	516	572	480	836
EPS (Bt)	2.57	2.06	2.29	1.92	3.34

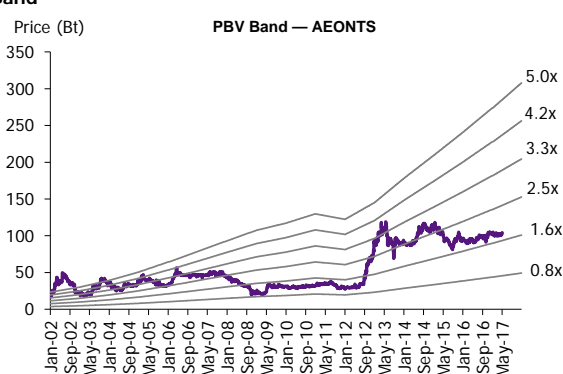
Balance Sheet (Btmn)

FY Feb 20 of the following year	4Q15	1Q16	2Q16	3Q16	4Q16
Cash	2,925	3,835	4,050	3,793	3,649
Gross loans	63,127	64,742	66,490	66,579	66,128
Loan loss reserve	2,403	2,357	2,415	2,439	2,259
Net loans	60,723	62,385	64,075	64,140	63,868
Total assets	70,721	73,567	73,894	73,523	72,638
Borrowings	56,051	59,683	60,211	59,646	57,442
Total liabilities	58,616	60,804	61,020	60,592	58,865
Paid-up capital	250	250	250	250	250
Total Equities	12,021	12,758	12,873	12,931	13,679
BVPS (Bt)	48.08	51.03	51.49	51.72	54.72

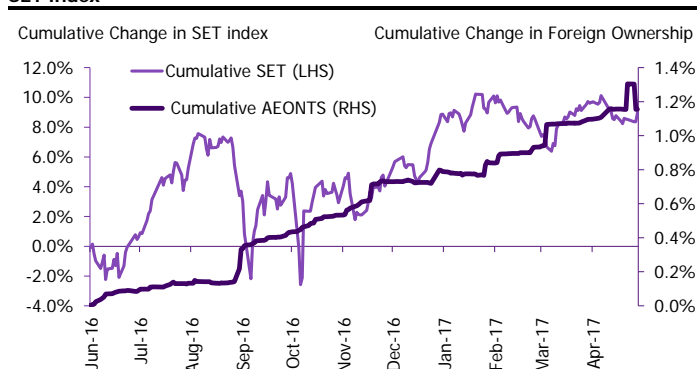
Key Financial Ratios

	4Q15	1Q16	2Q16	3Q16	4Q16
Yield on earn'g assets (%)	23.86	24.71	24.80	23.74	23.74
Cost on int-bear'g liab (%)	4.13	3.89	3.66	3.55	3.60
Net interest margin(%)	20.25	21.26	21.55	20.64	20.66
NPLs/ Total Loans(%)	3.34	2.99	2.96	2.94	2.71
Provision/Total loans (%)	7.16	7.66	7.88	8.21	7.26
LLR/NPLs(%)	114.13	121.82	122.71	124.58	126.04
Cost to income ratio (%)	46.02	49.74	48.17	48.74	49.26

PBV Band



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



Source: SET, SCBS Investment Research

Figure 1: Valuation summary (Closing price as of May 5, 2017)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					16A	17F	18F	16A	17F	18F	16A	17F	18F	16A	17F	18F	16A	17F	18F
AEONTS	Buy	105.00	120.0	17.7	10.9	10.0	8.9	(2)	10	12	1.9	1.7	1.5	19	18	18	3.3	3.4	3.9
KTC	Neutral	132.00	142.0	11.0	13.6	11.8	10.8	20	15	9	3.3	2.8	2.4	26	26	24	3.0	3.4	3.7
Average					12.3	10.9	9.9	9	12	10	2.6	2.2	2.0	22	22	21	3.2	3.4	3.8

Source: SCBS Investment Research

CG Rating 2016 Companies with CG Rating

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AMATA, AOT, BAFS, BAY, BCP, BIGC, BTS, BWG, CK, CPF, CPN, CSL, DELTA, DEMCO, DRT, DTAC, DTC, EASTW, EGCO, GFPT, GPSC, GRAMMY, HANA, HMPRO, INTUCH, IRPC, IVL, KBANK, KCE, KKP, KTB, KTC, LHBANK, LPN, MBK, MCOT, MINT, MONO, NKI, NYT, OTO, PHOL, PPS, PS, PSL, PTT, PTTEP, PTTCG, QH, QTC, RATCH, SAMART, SAMTEL, SAT, SC, SCB, SCC, SCCC, SE-ED, SIM, SITHAI, SNC, SPALI, SSSC, STEC, SVI, TCAP, THCOM, TISCO, TKT, TMB, TNDT, TOP, TSC, TTCL, TU, UV, VGI, WACOAL, WAVE

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2S, AAV, ACAP, ADVANC, AGE, AH, AHC, AKP, ALUCON, AMANAH, ANAN, AP, APCO, APCS, ARIP, ASIA, ASIMAR, ASK, ASP, AUCT, AYUD, BANPU, BBL, BDMS, BEM, BFIT, BLA, BOL, BROOK, CEN, CENTEL, CFRESH, CGH, CHG, CHO, CHOW, CI, CIMBT, CKP, CM, CNS, CNT, COL, CPI, DCC, EA, ECF, EE, ERW, FORTH, FPI, GBX, GC, GCAP, GL, GLOBAL, GLOW, GUNKUL, HOTPOT, HYDRO, ICC, ICHI, IFEC, INET, IRC, JSP, K, KSL, KTIS, L&E, LANNA, LH, LHK, LIT, LOXLEY, LRH, LST, M, MACO, MALEE, MBKET, MC, MEGA, MFC, MOONG, MSC, MTI, MTL, NCH, NOBLE, NSI, NTV, OCC, OGC, OISHI, ORI, PACE, PAP, PB, PCSGH, PDI, PE, PG, PJW, PLANB, PM, PPP, PR, PRANDA, PREB, PRG, PRINC, PT, PTG, PYLON, Q-CON, RICHY, ROBINS, RS, RWI, S, S & J, SABINA, SALEE, SAMCO, SCG, SEAFCO, SFP, SIAM, SINGER, SIS, SMK, SMPC, SMT, SNP, SPI, SPPT, SPRC, SR, SSF, SST, STA, SUSCO, SUTHA, SWC, SYMC, SYNEX, SYNTec, TAE, TAKUNI, TASCOT, TBSP, TCC, TF, TFI, TGCI, THAI, THANA, THANI, THIP, THRE, THREL, TICON, TIPCO, TK, TKS, TMC, TMI, TMILL, TMT, TNITY, TNL, TOG, TPC, TPCORP, TRC, TRU, TRUE, TSE, TSR, TSTE, TSTH, TTA, TTW, TVD, TVO, TWPC, UAC, UP, UPF, VIH, VNT, WINNER, YUASA, ZMICO

★★★★

AEC, AEONTS, AF, AIRA, AIT, AJ, AKR, AMARIN, AMATAV, AMC, APURE, AQUA, ARROW, AS, BA, BEAUTY, BEC, BH, BIG, BJC, BJCHI, BKD, BR, BROCK, BRR, BTNC, CBG, CGD, CHARAN, CITY, CMR, COLOR, COM7, CPL, CSC, CSP, CSR, CSS, CTW, DCON, DIMET, DNA, EARTH, EASON, ECL, EFORL, EPCC, EPG, ESSO, FE, FER, FOCUS, FSMART, FSS, FVC, GEL, GIFT, GLAND, GOLD, GSTEL, GYT, HPT, HTC, HTECH, IFS, IHL, ILINK, INSURE, IRCP, IT, ITD, J, JMART, JMT, JUBILE, JWD, KASET, KBS, KCAR, KGI, KKC, KOOL, KWC, KYE, LALIN, LPH, MAJOR, MAKRO, MATCH, MATI, M-CHAI, MDX, MFEC, MJD, MK, MODERN, MPG, NC, NCL, NDR, NEP, NOK, NUSA, PATO, PCA, PDG, PF, PICO, PIMO, PL, PLAT, PLE, PMTA, PPM, PRIN, PSTC, QLT, RCI, RCL, RICH, RML, RPC, SANKO, SAPPE, SAWAD, SCI, SCN, SCP, SEAOL, SENA, SIRI, SKR, SLP, SMG, SMIT, SORKON, SPA, SPC, SPCG, SPVI, SSC, STANLY, STPI, SUC, TACC, TCCC, TCMC, TEAM, TFD, TFG, TIC, TIW, TKN, TLUXE, TMD, TNP, TOPP, TPA, TPAC, TPCH, TPIPL, TPOLY, TRITN, TRT, TTI, TVI, TWP, U, UBIS, UMI, UPOIC, UT, UWC, VIBHA, VPO, VTE, WICE, WIIK, 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.

SMG was voluntarily delisted from the Stock Exchange of Thailand effectively on June 2, 2016

Anti-corruption Progress Indicator

Certified (ได้รับการรับรอง)

ADVANC, AKP, AMANAH, ASP, AYUD, BAFS, BANPU, BAY, BBL, BCP, BKI, BLA, BTS, BWG, CENTEL, CFRESH, CIMBT, CNS, CPI, CPN, CSL, DCC, DEMCO, DIMET, DRT, DTAC, DTC, EASTW, ECL, EGCO, ERW, FE, FSS, GBX, GCAP, GLOW, HANA, HTC, ICC, IFEC, INTUCH, IRPC, IVL, KBANK, KCE, KGI, KKP, KTB, KTC, LANNA, LHBANK, LHK, MBK, MBKET, MFC, MINT, MONO, MOONG, MSC, MTI, NKI, NSI, OCEAN, PB, PE, PG, PHOL, PM, PPP, PPS, PR, PSL, PT, PTG, PTT, PTTEP, PTTCG, Q-CON, QLT, RATCH, S & J, SABINA, SAT, SCB, SCC, SCG, SINGER, SIS, SMPC, SNC, SNP, SPC, SPI, SSF, SSI, SSSC, SVI, TCAP, TCMC, TF, TGCI, THANI, THCOM, THRE, THREL, TIPCO, TISCO, TMB, TMD, TNITY, TNL, TOG, TOP, TPCORP, TSC, TSTH, TTCL, TVI, WACOAL

Declared (ประกาศเจตนารมณ์)

2S, A, ABC, AEC, AF, AI, AIRA, ALUCON, AMATA, ANAN, AOT, AP, APCS, AQUA, ASIAN, ASK, BCH, BEAUTY, BFIT, BJCHI, BROCK, BROOK, BRR, BSBM, BTNC, CGH, CHOTI, CHOW, CM, COL, CPALL, CPF, CSC, CSS, EE, EPCC, FC, FER, FNS, FPI, FSMART, GEL, GFPT, GIFT, GLOBAL, GPSC, GREEN, GUNKUL, HMPRO, ICHI, IEC, IFS, ILINK, INET, IRC, J, JMART, JMT, JUBILE, JUTHA, K, KASET, KBS, KCAR, KSL, KTECH, KYE, L&E, LPN, LVT, M, MBAX, MC, MCOT, MIDA, MILL, ML, MPG, MTL, NBC, NINE, NMG, NNCL, NTV, NUSA, OCC, OGC, PACE, PAF, PCSGH, PDG, PDI, PIMO, PK, PLANB, PLAT, PRANDA, PRG, PRINC, PSTC, PYLON, QH, RML, ROBINS, ROH, SANKO, SAUCE, SC, SCCC, SCN, SEAOL, SE-ED, SENA, SGP, SITHAI, SMIT, SMK, SORKON, SPACK, SPPT, SPRC, SR, SRICHA, STA, SUSCO, SYNTec, TAE, TAKUNI, TASCOT, TBSP, TFG, TFI, TICON, TIP, TKT, TLUXE, TMILL, TMT, TPA, TPP, TRT, TRU, TRUE, TSE, TU, TVD, TVO, TVT, U, UBIS, UKEM, UOBKH, UREKA, UWC, VGI, VIBHA, VNT, WAVE, WHA, WICE, WIIK, XO

N/A

AAV, ABICO, ACAP, ACC, ADAM, AEONTS, AFC, AGE, AH, AHC, AIE, AIT, AJ, AJD, AKR, ALLA, ALT, AMA, AMARIN, AMATAV, AMC, APCO, APURE, APX, AQ, ARIP, ARROW, AS, ASAP, ASEFA, ASIA, ASIMAR, ASN, ATP30, AU, AUCT, BA, BAT-3K, BCPG, BDMS, BEC, BEM, BGT, BH, BIG, BIGC, BIZ, BJC, BKD, BLAND, BLISS, BM, BOL, BPP, BR, BRC, BSM, BTC, BTW, BUI, CBG, CCET, CCN, CCP, CEN, CGD, CHARAN, CHEWA, CHG, CHO, CHUO, CI, CIG, CITY, CK, CKP, CMO, CMR, CNT, COLOR, COM7, COMAN, CPH, CPL, CPR, CRANE, CSP, CSR, CTW, CWT, D, DAII, DCON, DCORP, DELTA, DNA, DRACO, DSGT, DTCL, EA, EARTH, EASON, ECF, EFORL, EIC, EKH, EMC, EPG, ESSO, ESTAR, ETE, EVER, F&D, FANCY, FMT, FN, FOCUS, FORTH, FVC, GC, GENCO, GGC, GJS, GL, GLAND, GOLD, GRAMMY, GRAND, GSTEL, GTB, GYT, HARN, HFT, HOTPOT, HPT, HTECH, HYDRO, IHL, INOX, INSURE, IRCP, IT, ITD, ITEL, JAS, JCT, JSP, JTS, JWD, KAMART, KC, KCM, KDH, KIAT, KKC, KOOL, KTIS, KWC, KWG, LALIN, LDC, LEE, LH, LIT, LOXLEY, LPH, LRH, LST, LTX, MACO, MAJOR, MAKRO, MALEE, MANRIN, MATCH, MATI, MAX, M-CHAI, MCS, MDX, MEGA, METCO, MFEC, MGT, MJD, MK, MM, MODERN, MPIC, NC, NCH, NCL, NDR, NEP, NETBAY, NEW, NEWS, NFC, NOBLE, NOK, NPK, NPP, NWR, NYT, OHTL, OISHI, ORI, OTO, PAE, PAP, PATO, PCA, PERM, PF, PICO, PJW, PL, PLE, PMTA, POLAR, POMPU, POST, PPM, PRAKIT, PREB, PRECHA, PRIN, PRO, PSH, PTL, QTC, RAM, RCI, RCL, RICH, RICHY, RJH, ROCK, ROJNA, RP, RPC, RPH, RS, RWI, S, S11, SAFARI, SALEE, SAM, SAMART, SAMCO, SAMTEL, SAPPE, SAWAD, SAWANG, SCI, SCP, SE, SEAFCO, SELIC, SF, SFP, SGF, SHANG, SIAM, SIM, SIMAT, SIRI, SKR, SLP, SMART, SMM, SMT, SOLAR, SPA, SPALI, SPCG, SPG, SPORT, SPVI, SQ, SSC, SST, STANLY, STAR, STEC, STHAI, STPI, SUC, SUPER, SUTHA, SVH, SVOA, SWC, SYMC, SYNEX, T, TACC, TAPAC, TC, TCB, TCC, TCCC, TCJ, TCOAT, TEAM, TFD, TGPRO, TH, THAI, THANA, THE, THIP, THL, TIC, TIW, TK, TKN, TKS, TM, TMC, TMI, TMW, TNDT, TNH, TNP, TNPC, TNR, TOPP, TPAC, TPBI, TPCH, TPIPL, TPIPP, TPOLY, TR, TRC, TRITN, TRUBB, TSF, TSI, TSR, TSTE, TTA, TTI, TTCL, TTMT, TTW, TUCC, TWP, TWPC, TWZ, TYCN, UAC, UEC, UMI, UMS, UNIQ, UP, UPA, UPF, UPOIC, UT, UTP, UV, UVAN, VARO, VI, VIH, VNG, VPO, VTE, WG, WHAUP, WIN, WINNER, WORK, WORLD, WP, WR, YCI, YNP, YUASA, ZMICO

Explanations

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of January 27, 2017) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.