

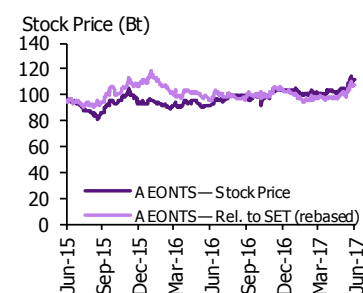
BUY

Stock Data

Last close (Jun 9) (Bt)	111.00
12-m target price (Bt)	120.00
Upside (Downside) to TP (%)	8.11
Mkt cap (Btbn)	27.75
Mkt cap (US\$mn)	815

Bloomberg code	AEONTS TB
Reuters code	AEONTS.BK
Risk rating	H
Mkt cap (%) SET	0.18
Sector % SET	2.18
Shares issued (mn)	250
Par value (Bt)	1.00
12-m high / low (Bt)	116 / 89.8
Avg. daily 6m (US\$mn)	0.09
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	5.2	11.0	19.4
Relative to SET	4.8	9.1	8.9

Source: SET, SCBS Investment Research

Asset quality and loan growth on the way back

We expect loan growth and asset quality to improve at AEONTS from FY1Q17 and see limited impact from potentially tighter regulations. BUY.

1QFY17 preview. We forecast growth of 7% YoY in 1QFY17 (March-May) earnings with a fall of 34% QoQ to Bt554mn. In the quarter we expect: 1) a pick-up in loan growth driven by high season for personal loans and more aggressive marketing campaigns for credit cards; 2) QoQ stable NIM; and 3) improvement in asset quality after enlarging its debt collection team. The QoQ fall of 34% reflects the fact that AEONTS did not sell any NPLs in 1QFY17 and thus booked no gains. It does plans to sell some NPLs in 2HFY17, likely in 4QFY17.

Limited impact from potential regulatory risk. To ease household debt, the BoT is considering tightening up regulations for personal loans and credit cards for applicants with monthly income Bt30,000 and below by lowering the maximum line of credit from five times monthly income to three times and limiting each cardholder to no more than three cards (three issuers). This is still in the talking stages, but if the BoT does take this action, we see little impact on AEONTS as it already caps credit line at no more than three times applicants' monthly income and, for most of its credit card holders, AEONTS card is their first - and only - credit card.

Improving debt collection. AEONTS is seeing an improvement in debt collection after it added 120 staff to its debt collection team in the south after moving its collection hub to a larger office. The improvement also reflects a tightening in its credit policy. We expect a slight easing in credit cost to 7.8% in FY2017 from 7.92% in FY2016.

Accelerating loan growth. We expect loan growth to double to 10% in FY2017 from 5% in FY2016, underpinned by recovering farm income, rising wages, and more active marketing campaigns. In FY2017, it targets growing credit card loans by >10% (vs. 13% in FY2016) and personal loans by 7-8% (vs. 0% for FY2016). It is also engaging in more aggressive marketing for credit cards in FY2017. These will 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. It aims to increase the proportion of credit cards issued to high-income clients, now at just 14%.

Rising contribution from CLM subsidiaries. AEONTS projects a jump of 52% in revenue from subsidiaries in Cambodia, Laos and Myanmar 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. A better business environment will allow a continued improvement in asset quality and foster a recovery in loan growth; 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	(Btmn)	2,446	2,403	2,633	2,942	3,371
EPS	(Bt)	9.79	9.61	10.53	11.77	13.49
BVPS	(Bt)	48.1	54.7	61.8	70.0	79.3
DPS	(Bt)	3.45	3.45	3.60	4.12	4.72
PER (x)	(x)	11.3	11.5	10.5	9.4	8.2
EPS growth	(%)	1	(2)	10	12	15
PBV	(x)	2.31	2.03	1.80	1.59	1.40
ROE	(%)	21.8	18.7	18.1	17.9	18.1
Dividend yields	(%)	3.11	3.11	3.24	3.71	4.25

Source: SCBS Investment Research

Kittima Sattayapan, CFA

Fundamental Investment

Analyst on Securities

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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	17,015	18,684	20,498
Interest expense	2,303	2,110	2,222	2,474	2,795
Net interest income	13,225	13,794	14,793	16,209	17,703
Non-interest income	1,904	1,855	1,894	1,948	2,006
Non-interest expenses	7,294	7,509	7,960	8,358	8,776
Earnings before tax & provision	7,835	8,140	8,726	9,800	10,933
Tax	625	595	662	740	848
Equities & minority interest	(9)	(24)	(16)	(18)	(19)
Core pre-provision profit	7,200	7,521	8,048	9,042	10,066
Provision	4,754	5,117	5,415	6,101	6,694
Core net profit	2,446	2,403	2,633	2,942	3,371
Extra item	0	0	0	0	0
Net profit	2,446	2,403	2,633	2,942	3,371
EPS (Bt)	9.79	9.61	10.53	11.77	13.49
DPS (Bt)	3.45	3.45	3.60	4.12	4.72

Balance Sheet (Btmn)

FY Feb 20 of the following year	2015	2016	2017F	2018F	2019F
Cash	2,925	3,649	3,169	3,265	3,351
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	78,267	84,869	92,123
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	15,449	17,491	19,833
BVPS (Bt)	48.08	54.72	61.80	69.96	79.33

Key Financial Ratios & Key assumptions

	2015	2016	2017F	2018F	2019F
Loan growth (%)	7.2	4.8	10.0	9.7	9.8
Yield on earning assets (%)	25.45	24.61	24.51	24.50	24.50
Cost on int-bearing liab (%)	4.41	3.80	3.86	4.01	4.21
Spread (%)	21.03	20.81	20.65	20.49	20.29
Net interest margin(%)	21.67	21.34	21.31	21.26	21.16
ROA (%)	3.62	3.35	3.49	3.61	3.81
ROE (%)	21.78	18.70	18.08	17.86	18.07
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	3.8	3.6

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

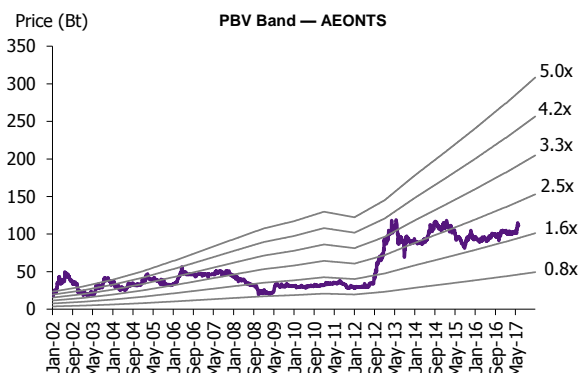
Balance Sheet (Btmn)

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

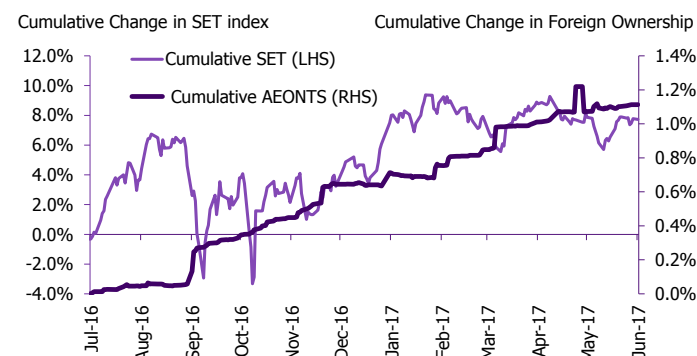
Key Financial Ratios

	4Q15	1Q16	2Q16	3Q16	4Q16
Yield on earning assets (%)	23.86	24.71	24.80	23.74	23.74
Cost on int-bearing 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 Jun 9, 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	111.00	120.0	11.4	11.5	10.5	9.4	(2)	10	12	2.0	1.8	1.6	19	18	18	3.1	3.2	3.7
KTC	Neutral	126.50	142.0	15.8	13.1	11.3	10.4	20	15	9	3.2	2.7	2.3	26	26	24	3.2	3.5	3.8
Average					12.3	10.9	9.9	9	12	10	2.6	2.2	1.9	22	22	21	3.1	3.4	3.8

Source: SCBS Investment Research

CG Rating 2016 Companies with CG Rating

★★★★★

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, PTTGC, 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, SEAFECO, SFP, SIAM, SINGER, SIS, SMK, SMPC, SMT, SNP, SPI, SPPT, SPRC, SR, SSF, SST, STA, SUSCO, SUTHA, SWC, SYMC, SYNEX, SYNTTEC, TAE, TAKUNI, TASCO, 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, EPCO, 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, PTTGC, 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, EPCO, 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, SYNTTEC, TAE, TAKUNI, TASCO, 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, DCON, DCORP, DELTA, DNA, DRACO, DSGT, DTCT, 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, ITTEL, 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, NVD, 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, SEAFECO, 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, TPPIP, TPOLY, TR, TRC, TRITN, TRUBB, TSF, TSI, TSR, TSTE, TTA, TTI, TTL, 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.