

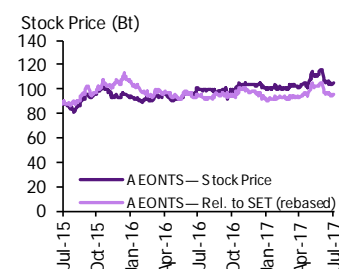
SELL

Stock Data

Last close (Jul 26) (Bt)	103.50
12-m target price (Bt)	92.00
Upside (Downside) to TP (%)	(11.11)
Mkt cap (Btbn)	25.88
Mkt cap (US\$mn)	775

Bloomberg code	AEONTS.TB
Reuters code	AEONTS.BK
Risk rating	H
Mkt cap (%) SET	0.17
Sector % SET	2.14
Shares issued (mn)	250
Par value (Bt)	1.00
12-m high / low (Bt)	117 / 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	(5.5)	1.0	3.8
Relative to SET	(5.3)	(0.1)	(0.7)

Source: SET, SCBS Investment Research

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Fundamental Investment

Analyst on Securities

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Downgrade: Big hit by stricter rules

What happened – Tighter regulations for credit card and personal loans. The Bank of Thailand (BoT) yesterday announced stricter regulations for credit card and personal loans in an effort to ease the household debt problem. These will take effect on September 1, 2017.

Credit cards: The BoT has slashed the maximum line of credit to 1.5 times from 5 times monthly income per issuer for new applicants with monthly income of below Bt30,000 and 3 times for new applicants with monthly income of Bt30,000-50,000. It also is lowering the ceiling on credit card interest rate to 18% from 20%.

Personal loans: The line of credit for new applicants with monthly income below Bt30,000 will be cut to 1.5 times from 5 times per issuer with no more three issuers (implying a total credit line cap of 4.5 times monthly income per applicant).

Impact – Harsh. The new rules has led us to slash FY2017F earnings forecast by 9%, FY2018 by 26% and FY2019 by 31%. The majority of its credit card holders have monthly income of under Bt30,000 and it caps its credit line at 3 times monthly income. This explains why AEONTS has put a lot of effort into penetrating the middle to high income segment since last year, though it has not made much headway yet. We slice AEONTS loan growth to 5% from 10% for FY2017-19F. We reduce opex slightly, as this is tied to business volume. We revise credit cost down by 10 bps as a stricter credit policy will improve asset quality and to fine tune with 1QFY17 results.

	FY2017F	New		Change from old forecast		
		FY2018F	FY2019F	FY2017F	FY2018F	FY2019F
Net profit (Bt mn)	2,402	2,212	2,340	-9%	-25%	-31%
EPS (Bt)	9.61	8.85	9.36	-9%	-25%	-31%
EPS growth	-0.07%	-7.92%	5.80%	-10%	-20%	-9%
BVPS (Bt)	60.87	66.12	72.38	-1%	-5%	-9%
ROE	16.62%	13.93%	13.52%	-1%	-4%	-5%

Source: SCBS Investment Research

Action – Downgrade to Sell. We slash TP to Bt92 (1.4x 2018F BVPS) from Bt120 and downgrade to Sell. AEONTS's share price has fallen by 10% from this year's peak in June but we believe this has yet to fully discount the impact.

Forecasts and valuation

FY Feb of the following year	Unit	FY2015	FY2016	FY2017F	FY2018F	FY2019F
Net profit	(Btmn)	2,446	2,403	2,402	2,212	2,340
EPS	(Bt)	9.79	9.61	9.61	8.85	9.36
BVPS	(Bt)	48.1	54.7	60.9	66.1	72.4
DPS	(Bt)	3.45	3.45	3.60	3.10	3.28
PER (x)	(x)	10.6	10.8	10.8	11.7	11.1
EPS growth	(%)	1	(2)	(0)	(8)	6
PBV	(x)	2.15	1.89	1.70	1.57	1.43
ROE	(%)	21.8	18.7	16.6	13.9	13.5
Dividend yields	(%)	3.33	3.33	3.48	2.99	3.17

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	16,310	16,808	17,817
Interest expense	2,303	2,110	2,173	2,304	2,457
Net interest income	13,225	13,794	14,137	14,504	15,359
Non-interest income	1,904	1,855	1,918	1,999	2,084
Non-interest expenses	7,294	7,509	7,885	8,279	8,693
Earnings before tax & provision	7,835	8,140	8,171	8,225	8,751
Tax	625	595	604	557	590
Equities & minority interest	(9)	(24)	(16)	(18)	(19)
Core pre-provision profit	7,200	7,521	7,550	7,650	8,141
Provision	4,754	5,117	5,148	5,438	5,801
Core net profit	2,446	2,403	2,402	2,212	2,340
Extra item	0	0	0	0	0
Net profit	2,446	2,403	2,402	2,212	2,340
EPS (Bt)	9.79	9.61	9.61	8.85	9.36
DPS (Bt)	3.45	3.45	3.60	3.10	3.28

Balance Sheet (Btmn)

FY Feb 20 of the following year	2015	2016	2017F	2018F	2019F
Cash	2,925	3,649	3,782	3,883	3,977
Gross loans	63,127	66,128	69,354	72,815	77,871
Loan loss reserve	2,403	2,259	2,774	3,318	3,898
Net loans	60,723	63,868	66,580	69,497	73,973
Total assets	70,721	72,638	75,536	78,608	83,236
Borrowings	56,051	57,442	58,800	60,560	63,622
Total liabilities	58,616	58,865	60,224	61,984	65,046
Paid-up capital	250	250	250	250	250
Total Equities	12,021	13,679	15,218	16,530	18,096
BVPS (Bt)	48.08	54.72	60.87	66.12	72.38

Key Financial Ratios & Key assumptions

	2015	2016	2017F	2018F	2019F
Loan growth (%)	7.15	4.75	4.88	4.99	6.94
Yield on earn'g assets (%)	25.45	24.61	24.08	23.64	23.65
Cost on int-bear'g liab (%)	4.41	3.80	3.86	3.99	4.09
Spread (%)	21.03	20.81	20.22	19.66	19.56
Net interest margin(%)	21.67	21.34	20.87	20.40	20.39
ROA (%)	3.62	3.35	3.24	2.87	2.89
ROE (%)	21.78	18.70	16.62	13.93	13.52
NPLs/ Total Loans (%)	3.34	2.71	2.74	2.77	2.79
Provision/Total loans (%)	7.53	7.74	7.42	7.47	7.45
LLR/NPLs(%)	114.13	126.04	146.10	164.79	179.24
Cost to income ratio (%)	48.21	47.99	49.11	50.17	49.84
D/E (x)	4.88	4.30	3.96	3.75	3.59

Loan breakdown

	2015	2016	2017F	2018F	2019F
Hire purchase	2.6	2.2	2.1	2.1	2.0
Personal loans	56.9	54.2	54.2	54.2	54.3
Credit card loans	40.2	43.4	43.5	43.5	43.5

Profit and Loss Statement (Btmn)

FY Feb 20 of the following year	1Q16	2Q16	3Q16	4Q16	1Q17
Interest & dividend income	3,949	4,068	3,949	3,938	3,990
Interest expense	552	532	516	511	523
Net interest income	3,398	3,536	3,433	3,427	3,467
Non-interest income	380	379	410	687	399
Non-interest expenses	1,880	1,886	1,874	1,869	1,960
Earnings before tax & provision	1,898	2,028	1,969	2,245	1,906
Tax	137	142	121	195	134
Equities & minority interest	(5)	(5)	(2)	(13)	(3)
Core pre-provision profit	1,756	1,881	1,847	2,037	1,769
Provision	1,240	1,309	1,367	1,201	1,152
Core net profit	516	572	480	836	618
Extra item	0	0	0	0	0
Net profit	516	572	480	836	618
EPS (Bt)	2.06	2.29	1.92	3.34	2.47

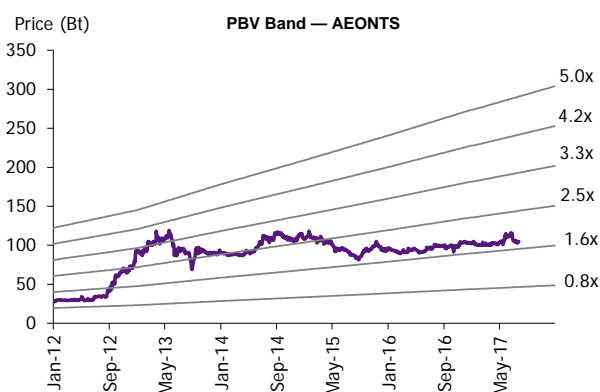
Balance Sheet (Btmn)

FY Feb 20 of the following year	1Q16	2Q16	3Q16	4Q16	1Q17
Cash	3,835	4,050	3,793	3,649	3,854
Gross loans	64,742	66,490	66,579	66,128	65,844
Loan loss reserve	2,357	2,415	2,439	2,259	2,226
Net loans	62,385	64,075	64,140	63,868	63,618
Total assets	73,567	73,894	73,523	72,638	71,746
Borrowings	59,683	60,211	59,646	57,442	55,493
Total liabilities	60,804	61,020	60,592	58,865	57,383
Paid-up capital	250	250	250	250	250
Total Equities	12,758	12,873	12,931	13,679	14,363
BVPS (Bt)	51.03	51.49	51.72	54.72	57.45

Key Financial Ratios

	1Q16	2Q16	3Q16	4Q16	1Q17
Yield on earn'g assets (%)	24.71	24.80	23.74	23.74	24.18
Cost on int-bear'g liab (%)	3.89	3.66	3.55	3.60	3.82
Net interest margin(%)	21.26	21.55	20.64	20.66	21.01
NPLs/ Total Loans(%)	2.99	2.96	2.94	2.71	2.49
Provision/Total loans (%)	7.66	7.88	8.21	7.26	7.00
LLR/NPLs(%)	121.82	122.71	124.58	126.04	135.90
Cost to income ratio (%)	49.74	48.17	48.74	49.26	50.69

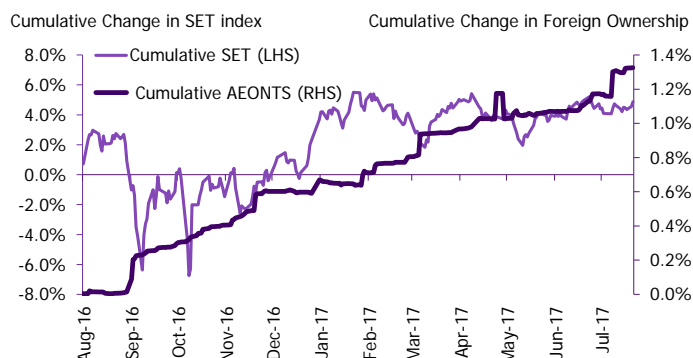
PBV Band



12-Month Cumulative directors trade

NA

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 Jul 26, 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	Sell	103.50	92.0	(7.6)	10.8	10.8	11.7	(2)	(0)	(8)	1.9	1.7	1.6	19	17	14	3.3	3.5	3.0
KTC	Sell	104.00	100.0	0.1	10.7	10.2	11.0	20	6	(8)	2.6	2.2	2.0	26	24	19	3.8	3.9	3.6
Average					10.8	10.5	11.4	9	3	(8)	2.2	2.0	1.8	22	20	17	3.6	3.7	3.3

Source: SCBS Investment Research

CG Rating 2016 Companies with CG Rating

AAAAAA

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

AAAAA

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, TASCO, TBSP, TCC, TF, TFI, TGC, THAI, THANA, THANII, 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

AAAA

AEC, AEMDS, 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, MFC, 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, WIJK, 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, AJ, AKP, AMANAH, AMATAV, AP, ARROW, ASIA, ASP, AU, AYUD, BAFS, BANPU, BAY, BBL, BCP, BJC, BKI, BLA, BR, BROOK, BTS, BWG, CENTEL, CFRESH, CHEWA, CHG, CIG, CIMBT, CM, CNS, COM7, CPI, CPN, CPR, CSL, DCC, DEMCO, DIMET, DRT, DTAC, DTC, EASTW, ECL, EGCO, EKH, FE, FNS, FSS, GBX, GCAP, GGC, GJS, GLOW, GOLD, GSTEL, HANA, HARN, HMPRO, HTC, ICC, IFEC, INTUCH, IRPC, IVL, K, KBANK, KCE, KGI, KKP, KSL, KTB, KTC, KWC, LANNA, LEE, LHBANK, LHK, LIT, LPN, MATCH, MATI, MBK, MBKET, MCOT, MFC, MINT, MONO, MOONG, MSC, MTI, NEP, NKI, NSI, NWR, OCC, OCEAN, PAP, PATO, PB, PDI, PE, PG, PHOL, PL, PLAT, PM, POST, PPP, PPS, PR, PRANDA, PREB, PRG, PRO, PSH, PSL, PT, PTG, PTT, PTTEP, PTTGC, Q-CON, QH, QLT, QTC, RATCH, RML, ROBINS, S & J, SABINA, SAT, SCB, SCC, SCG, SGP, SINGER, SIRI, SIS, SITHAI, SMART, SMIT, SMPC, SNC, SNP, SORKON, SPC, SPI, SSF, SSI, SSSC, SST, SVI, SWC, SYNTEC, TAE, TCAP, TCMC, TF, TFG, TGC, THANI, THCOM, THE, THRE, THREL, TIPCO, TISCO, TKN, TKT, TMB, TMD, TNITY, TNL, TNP, TOG, TOP, TPCORP, TRU, TSC, TSTH, TTCL, TTI, TVI, TWPC, UOBKH, UPA, VIH, WACOAL

Declared (ประกาศเจตนารมณ์)

A, AI, AIRA, ALUCON, AOT, AQUA, ASK, BCH, BJCHI, BROCK, BRR, CGH, CHOTI, CHOW, COL, CPALL, CPF, CSC, EPCO, FC, FER, FPI, FSMART, GEL, GFPT, GIFT, GLOBAL, GPSC, GREEN, GUNKUL, IFS, ILINK, INET, IRC, J, JMART, JMT, JUBILE, JUTHA, KASET, KBS, KCAR, KTECH, KYE, L&E, LVT, MBAX, MC, MIDA, MILL, ML, MTL, NBC, NINE, NMG, NNCL, NTV, NUSA, OGC, PACE, PAF, PCSGH, PIMO, PK, PLANB, PRINC, PSTC, PYLON, ROH, SANKO, SAUCE, SC, SCCC, SCN, SEAOL, SE-ED, SENA, SPACK, SPPT, SPRC, SR, SRICHA, STA, SUSCO, TAKUNI, TBSP, TFI, TICON, TIP, TLUXE, TMILL, TMT, TPA, TRUE, TSE, TU, TVD, TVO, TVT, U, UREKA, VGI, VIBHA, VNT, WAVE, WHA, WICE, WIJK

N/A

2S, AAV, ABC, ABICO, ACAP, ACC, ADAM, AEC, AEONTS, AF, AFC, AGE, AH, AHC, AIE, AIT, AJA, AKR, ALLA, ALT, AMA, AMARIN, AMATA, AMC, ANAN, APCO, APCS, APURE, APX, AQ, ARIP, AS, ASAP, ASEFA, ASIAN, ASIMAR, ASN, ATP30, AUCT, BA, BAT-3K, BCPG, BDMS, BEAUTY, BEC, BEM, BFIT, BGT, BH, BIG, BIGC, BIZ, BKD, BLAND, BLISS, BM, BOL, BPP, BRC, BSBM, BSM, BTC, BTNC, BTW, BUI, CBG, CCET, CCN, CCP, CEN, CGD, CHARAN, CHO, CHUO, CI, CITY, CK, CKP, CMO, CMR, CNT, COLOR, COMAN, CPH, CPL, CRANE, CSP, CSR, CSS, CTW, CWT, D, DCON, DCORP, DELTA, DNA, DTCI, EA, EARTH, EASON, ECF, EE, EFORL, EIC, EMC, EPG, ERW, ESSO, ESTAR, ETE, EVER, F&D, FANCY, FMT, FN, FOCUS, FORTH, FVC, GC, GENCO, GL, GLAND, GRAMMY, GRAND, GTB, GYT, HFT, HOTPOT, HPT, HTECH, HYDRO, ICHI, IEC, IHL, INOX, INSURE, IRCP, IT, ITD, ITEL, JAS, JCT, JSP, JTS, JWD, KAMART, KC, KCM, KDH, KIAT, KKC, KOOL, KTIS, KWG, LALIN, LDC, LH, LOXLEY, LPH, LRH, LST, LTX, M, MACO, MAJOR, MAKRO, MALEE, MANRIN, MAX, M-CHAI, MCS, MDX, MEGA, METCO, MFC, MGT, MJD, MK, MM, MODERN, MPG, MPIC, NC, NCH, NCL, NDR, NETBAY, NEW, NEWS, NFC, NOBLE, NOK, NPK, NPP, NVD, NYT, OHTL, OISHI, ORI, OTO, PAE, PCA, PDG, PERM, PF, PICO, PJW, PLE, PMTA, POLAR, POMPUI, PPM, PRAKIT, PRECHA, PRIN, PTL, 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, SKR, SLP, SMK, SMM, SMT, SOLAR, SPA, SPALI, SPCG, SPG, SPORT, SPVI, SO, SSC, STANLY, STAR, STEC, STHAI, STPI, SUC, SUPER, SUTHA, SVH, SVOA, SYMC, SYNEX, T, TACC, TAPAC, TASCO, TC, TCB, TCC, TCCC, TCJ, TCOAT, TEAM, TFD, TGPRO, TH, THAI, THANA, THIP, THL, TIC, TIW, TK, TKS, TM, TMC, TMI, TMW, TNDT, TNH, TNPC, TNR, TOPP, TPAC, TPBI, TPCH, TPIPL, TPIPP, TPOLY, TPP, TR, TRC, TRITN, TRT, TRUBB, TSF, TSI, TSR, TSTE, TTA, TTL, TTMT, TTW, TUCC, TWP, TWZ, TYCN, UAC, UBIS, UEC, UKEM, UMI, UMS, UNIQ, UP, UPF, UPOIC, UT, UTP, UV, UVAN, UWC, VARO, VI, VNG, VPO, VTE, WG, WHAUP, WIN, WINNER, WORK, WORLD, WP, WR, XO, 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.