

19 July 2013 | Corporate Update

AEON Co. (M) Bhd

Acquiring Johor land to increase Aeon malls there to six

Maintain NEUTRAL

Unchanged Target Price: RM14.02

INVESTMENT HIGHLIGHTS

- **Aeon announced its acquisition of three (3) parcels of land in Kempas, Johor, for RM70.2m. The acquisition will be funded via internally generated cash.**
- **Once the land is developed, the number of Aeon malls in Johor will be six (6), which is at par with the number of Aeon malls in Kuala Lumpur, assuming no further development in the Klang Valley.**
- **We view the Group's focus on Johor positively given that it is an economic growth area and currently a property hot spot.**
- **Fully valued. Maintain NEUTRAL.**

Land acquisition in Kempas, Johor. In a filing with Bursa Malaysia Securities Berhad (Bursa), Aeon Co. (M) Bhd (Aeon or the Group) announced that it has entered into a Sale and Purchase Agreement to acquire three (3) parcels of land measuring 911,710.80sf in Kempas, Johor. Consideration for the purchase is RM70.2m (or RM77/sf) and will be satisfied via internally generated cash. Once acquired the site will be home to a new Aeon mall and possibly a MaxValue supermarket. This will bring the total number of Aeon malls in Johor to six (6), and the first MaxValu supermarket outside of the Klang Valley. Given that the consideration amount was derived at based on the valuation performed by valuer C H Williams Talhar & Wong on 9 August 2012 under the Comparison Method, we assume that the land is fairly priced.

Acquisition in-line with Aeon's expansion plans. Management had shared with us its intention to focus its efforts and resources on expanding its network of Aeon malls moving forward. Therefore, the land acquisition for the construction of an Aeon mall is in-line with the Group's strategic direction. Furthermore, funding of the purchase via internally generated cash is the norm for Aeon, which has had zero gearing since FY09.

The Group's increasing focus on Johor is encouraging given our house view of Johor as an economic growth area. Outside of the central areas of Kuala Lumpur and Selangor, where Aeon is mostly present, Johor has the Group's next largest network of malls. With one mall currently under construction in Kulai, and following the development of the Kempas land, the number of Aeon malls in Johor will rise to six.

RETURN STATS

Price (18 July 2013)	RM15.24
Target Price	RM14.02
Expected Share Price Return	-8.0%
Expected Dividend Yield	+1.4%
Expected Total Return	-6.6%

STOCK INFO

KLCI	1791.5
Bursa / Bloomberg	6599 / AEON MK
Board / Sector	Main / Consumer
Syariah Compliant	Yes
Issued shares (mil)	351.0
Par Value (RM)	1.00
Market cap. (RM'm)	5349.2
Price over NA	3.5x
52-wk price Range	RM9.10–RM18.00
Beta (against KLCI)	0.9
3-mth Avg Daily Vol	0.2m
3-mth Avg Daily Value	RM3.0m

Major Shareholders

AEON Co. Ltd	51.0%
Aberdeen	22.4%
EPF	9.3%

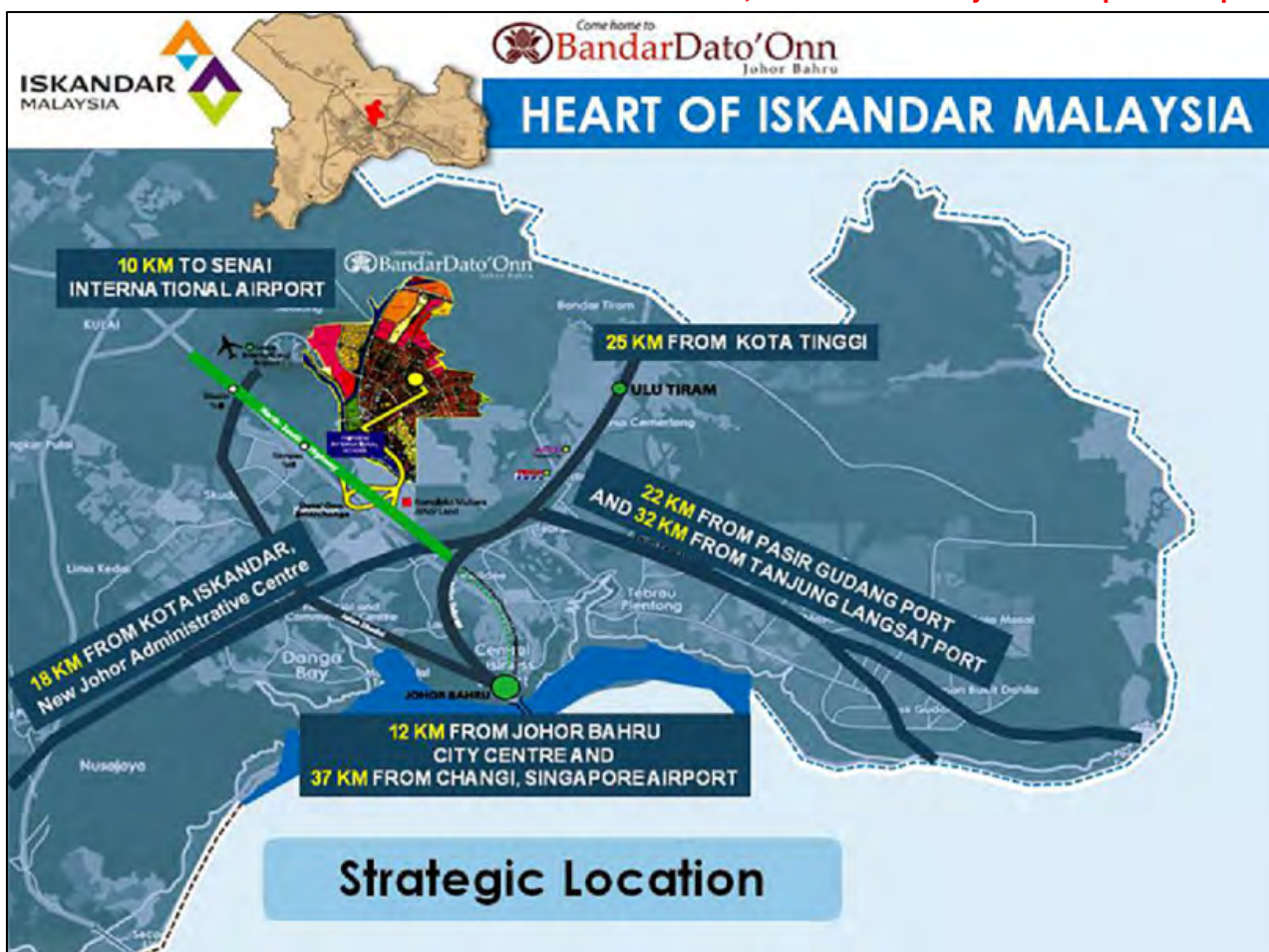
TABLE 1: INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY10	FY11	FY12	FY13F	FY14F
Revenue	2,984.6	3,255.7	3,589.0	3,936.5	4,166.5
Profit from operations	271.8	292.3	303.8	337.4	358.6
Pre-tax profit	277.3	299.5	308.3	341.9	362.0
Net profit	195.4	212.8	217.2	240.9	252.5
EPS (sen)	55.7	60.6	61.9	68.6	71.9
EPS growth (%)	18.2	8.9	2.1	10.9	4.8
PER (x)	27.4	25.1	24.6	22.2	21.2
Net DPS (sen)	12.8	18.3	18.6	20.6	21.6
Dividend yield (%) @ RM15.24	0.8	1.2	1.2	1.4	1.4

Source: Group, Forecast by MIDF Research

Assuming no further expansion, Aeon's presence in Johor will be at par with Kuala Lumpur. We view Aeon's focus on Johor positively given that Iskandar Malaysia and the larger Johor is an economic growth area. Furthermore, the proposed mall will form part of the Bandar Dato' Onn development which is at the heart of Iskandar Malaysia as per Diagram 1.

DIAGRAM 1: Bandar Dato' Onn is at the Heart of Iskandar, which is currently a Developer Hot Spot.



Source: Wikipedia


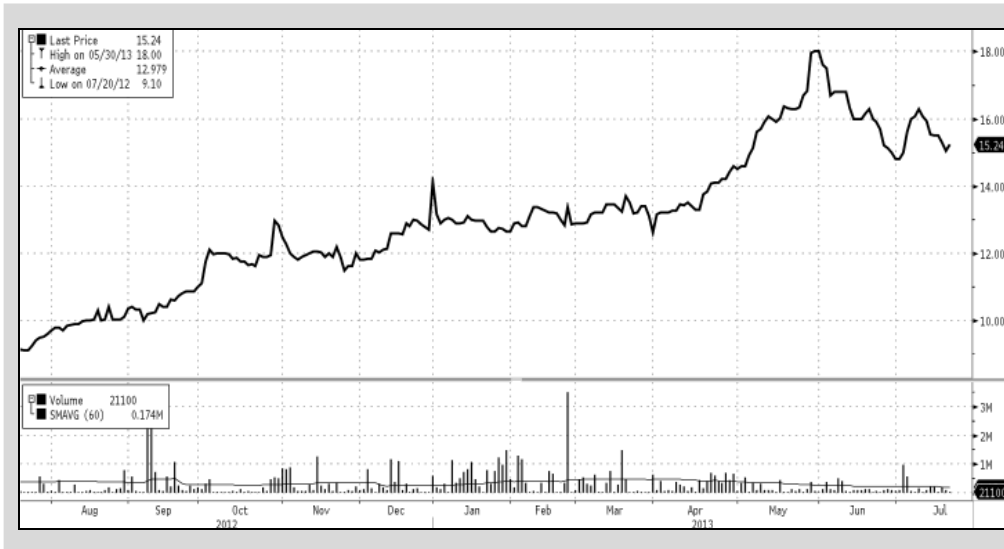
Maintain NEUTRAL. We maintain NEUTRAL on Aeon with an unchanged Target Price (TP) of RM14.02. The TP is arrived at by applying a PER14 of 20.44x, representing the average FY14 PER of the Group's four (4) regional peers. Although we are positive on Aeon's direction in its expansion plans, we believe that the Aeon's shares are fully valued at this point of time, especially given the thin dividend yield of 1.4%. 

DIAGRAM 2: Daily Price Chart



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

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.