

Aeon Co (M) (6599)

Rejuvenating Itself



Stock Highlights

Successful mall rejuvenation initiatives. One of the main bright spots for Aeon this year has been the stellar performance of its property management segment (PMS), which recorded a 10% YoY growth in 9M2024. This reflects the successful initiatives by management in refurbishing its mall and optimising the tenant mix. As a result, occupancy rates have improved to 95.1% in 9M24 (vs. 91.5% a year ago), while management is expecting to hit a rental renewal rate of 90% by end-2024. Recently renovated locations, such as Aeon Bandar Puchong and Aeon Cheras Selatan, have shown revenue increases of +20% YoY, underscoring the effectiveness of these upgrades.

Retail sales to stay resilient. Aeon's retail segment remained resilient with 9M24 revenue growing 1.7% YoY. However, the recent shift in consumer spending patterns toward essentials over discretionary items (such as electronics and home products) weighed on margins in 3Q24. Looking ahead, we expect improvement in its retail segment in 2025, supported by resilient consumer demand, civil servant pay hikes, and the planned increase in minimum wages. Additionally, we believe any pressure on margins could be managed through better operating efficiencies.

Valuation can still play catch-up. The stock is already up by an impressive +40% YTD, having re-rated on the back of positive earnings revision. Even so, we think there is still room for Aeon's valuation to play catch-up further, which is currently trading at just 13.1x PE to consensus FY25 earnings forecast (vs. 16-34x forward PE for other listed peers such as Padini, MrDIY, 99 Speedmart).

Riding the uptrend with momentum. The stock has been trading positively since early 2024, climbing from RM1.10 to RM1.61 while maintaining an uptrend channel above the 200-day EMA. Recently, it broke out of a triangle pattern within the channel and is currently making a pullback, offering an ideal entry range between RM1.45 and RM1.47. The first target for this setup is RM1.55, with a secondary target at RM1.65. However, a break below RM1.37 would invalidate the uptrend structure and potentially signal the beginning of a downward trend.

Technical

Resistance 1 (RM)	1.55
Resistance 2 (RM)	1.65
Support 1 (RM)	1.42
Support 2 (RM)	1.37
MACD	Positive
RSI	Neutral

Stock Information

Last Close (RM)	1.47
Market cap (RM m)	2,063.9
52-week Range (RM)	1.07 – 1.61

Financial Highlights

FYE Dec	FY21	FY22	FY23	9MFY24
Revenue (RM m)	3,630.4	4,141.1	4,129.0	3,191.3
Core PAT (RM m)	85.3	111.2	114.8	104.0
Core EPS (sen)	6.1	7.9	8.2	7.4
DPS (sen)	3.0	4.0	4.0	-
BV/share (RM)	1.24	1.29	1.32	1.37
P/E (x)	24.1	18.6	17.9	15.1
P/B (x)	1.2	1.1	1.1	1.1

Source: Bloomberg, Mercury Securities

Company Profile

Aeon Co (M) Berhad operates a chain of superstores selling a broad range of goods including clothing, food, household goods, and other merchandise. The company also operates shopping centers.



Glossary of commonly use technical terms

Moving Average (MA)	An indicator frequently used in technical analysis showing the average value of a security's price over a set period.
Moving Average Convergence Divergence (MACD)	A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A 9-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals.
Stochastic	A technical momentum indicator that compares a security's closing price to its price range over a given time period. The indicator's sensitivity to market movements can be reduced by adjusting the time period or by taking a moving average of the result.
Average True Range (ATR)	A measure of volatility whereby the indicator is the greatest of the following: <ul style="list-style-type: none">- current high less the current low;- the absolute value of the current high less the previous close;- the absolute value of the current low less the previous close;
Bollinger Band	A band plotted 2 standard deviations away from a simple moving average.
On-Balance Volume (OBV)	A method used in technical analysis to detect momentum, the calculation of which relates volume to price change. OBV provides a running total of volume and shows whether this volume is flowing in or out of a given security.
Support	The price level which, historically, a stock has had difficulty falling below. It is thought of as the level at which a lot of buyers tend to enter the stock.
Resistance	The price at which a stock or market can trade, but not exceed, for a certain period of time. Often referred to as "resistance level".
Reversal	A change in the direction of a price trend. On a price chart, reversals undergo a recognizable change in the price structure. An uptrend, which is a series of higher highs and higher lows, reverses into a downtrend by changing to a series of lower highs and lower lows. A downtrend, which is a series of lower highs and lower lows, reverses into an uptrend by changing to a series of higher highs and higher lows.
Divergence	When the price of an asset and an indicator, index or other related asset move in opposite directions.
Overbought	In technical analysis, this term describes a situation in which the price of a security has risen to such a degree – usually on high volume – that an oscillator has reached its upper bound. This is generally interpreted as a sign that the price of the asset is becoming overvalued and may experience a pullback.
Oversold	A situation in technical analysis where the price of an asset has fallen to such a degree – usually on high volume – that oscillator has reached a lower bound. This is generally interpreted as a sign that the price of the asset is becoming undervalued and may represent a buying opportunity for investors

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