

Aeon seen using land purchase consideration as capex

Aeon Co (M) Bhd
July 13 (RM2.60)

Maintain sell with an unchanged target price of RM2.55: Aeon Co (M) Bhd announced that the company had terminated a sale and purchase agreement (SPA) with Ireka Engineering & Construction Sdn Bhd with regards to the acquisition of a piece of freehold land in Seremban, Negeri Sembilan, for the construction of a shopping centre. The group is seeking a refund totalling RM5.4 million from Ireka Engineering & Construction. The sum of RM5.4 million includes the earnest deposit, balance deposit and first payment of the transaction.

In December 2014, Aeon announced the SPA with Ireka Engineering & Construction to acquire part of a freehold land in Pekan Senawang, Daerah Seremban, Negeri Sembilan. The purchase consideration for the SPA amounted to RM53.7 million, representing RM59 per sq ft. The land measures approximately 909,500 sq ft or 20.9 acres (8.46ha). The cancellation of

the SPA was due to the non-fulfilment of the conditions precedent, which lapsed after the agreed time frame of 18 months. Some of the conditions included: i) obtaining the master planning approval for the development of the shopping mall; and ii) acquiring earthwork and infrastructure approvals.

We are neutral on this announcement as we have not factored in any potential contributions from the development before the completion of the land acquisition. We now assume the land purchase consideration to be used as capital expenditure (capex) for refurbishing its existing malls.

There are no changes to our earnings forecasts at this juncture.

We maintain our "sell" call on Aeon, with an unchanged discounted cash flow-based valuation of RM2.55 per share. We remain cautious about the group's near-term earnings as its retail business would continue to face the impact from soft consumer sentiment and stiff competition.

— *TA Securities, July 13*

Aeon Co (M) Bhd

FYE JUNE 30 (RM MIL)	2014	2015	2016E	2017F	2018F
Revenue	3,705.5	3,834.6	4,295.6	4,504.5	4,744.6
Ebit	287.2	227.0	205.0	207.2	212.2
EI	14.9	0.0	0.0	0.0	0.0
D&A	(183.5)	(218.8)	(243.1)	(262.9)	(282.9)
Net finance cost	(1.2)	(9.8)	(16.8)	(16.4)	(16.2)
Reported PBT	301.3	210.8	188.7	191.3	196.5
Taxation	(89.5)	(79.2)	(57.3)	(58.1)	(59.7)
Core net profit	212.7	133.4	132.0	133.8	137.5
Core EPS (sen)	15.2	9.5	9.4	9.5	9.8
GDPS (sen)	10.3	2.9	2.8	2.9	2.9

Source: TA Securities