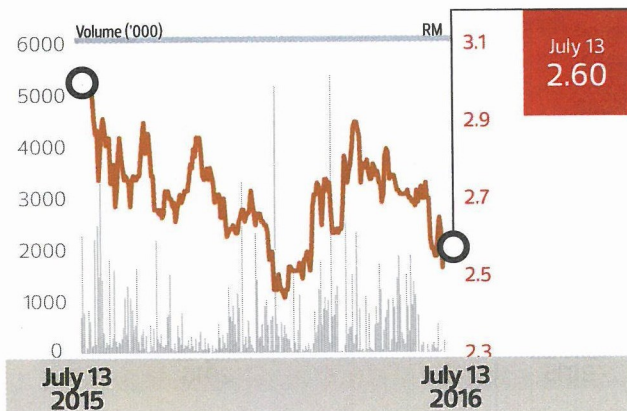


AEON Co (M) Bhd

Target price: **RM2.55 SELL**



TA SECURITIES (JULY 13): AEON has terminated a sale and purchase agreement (SPA) with Ireka Engineering & Construction Sdn Bhd for the acquisition of a freehold parcel in Seremban, Negeri Sembilan, for the construction of a shopping centre. The group is seeking a RM5.4 million refund from Ireka, which includes the earnest deposit, balance deposit and first payment of the transaction.

The cancellation of the SPA was due to the non-fulfilment of conditions precedent. We are neutral on the announcement as we had not factored in any potential contribution from the development before the completion of the land acquisition. We now assume that the land purchase consideration will be used as capital expenditure to refurbish its existing malls. At this point, we make no changes to our earnings forecast.

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