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# AEON CREDIT SERVICE

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Listing Board

Bursa Malaysia Securities Berhad, Main Market

Stock Name/ Code

AEONCR/ 5139

## Q2/1H FYE19 Results Update

7 Nov 2018

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A Distinctive Non-Bank Based **Financial Service Provider** Offering Easy Payment Schemes, Personal Finance Schemes, Credit Card Issuance, Insurance & Other Services

**RM15.70**

Share Price  
(as at 3 Oct 2018)

**RM16.46/ 12.10**

52W High/ Low

**RM3.925bil**

Market Capitalisation

**250.01mil**

Share Capital

**5**

Regional Offices

**66**

Branches & Service Centres

**12,000**

Merchant Outlets Nationwide

**4.6 mil**

Card Members

2018

Economic Indicators

**4.9%**

GDP ▼

**3.25%**

OPR ◀▶

**108.8 pt**

CSI (3Q18) ▼

**RM 4.00-4.10**

USD/ MYR

## Steady asset & profit growth momentum

Total Transaction &  
Financing Volume  
RM 2.4 bil  
**+15.4% YoY**

Revenue  
RM 657.8 mil  
**+7.2% YoY**

PAT  
RM 179.9 mil  
**+22.2% YoY**

Gross Financing  
Receivables  
RM 7.9 bil  
**+11.5% YoY**

ROE  
**23.3%**  
-4.7% YoY

NPL  
**2.07%**  
+0.4% YoY

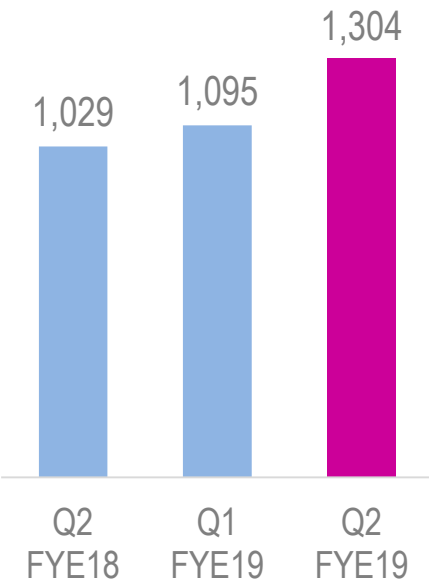
“ Delivered another quarter of steady growth. Going forward, we will build on the good momentum and continue to create value by focusing on quality growth, digitalisation and efficiency. ”

## 13.0% YoY PAT growth for Q2, supported by increased transaction & financing volume

### Total Transaction & Financing Volume

+26.8% YoY  
+19.1% QoQ

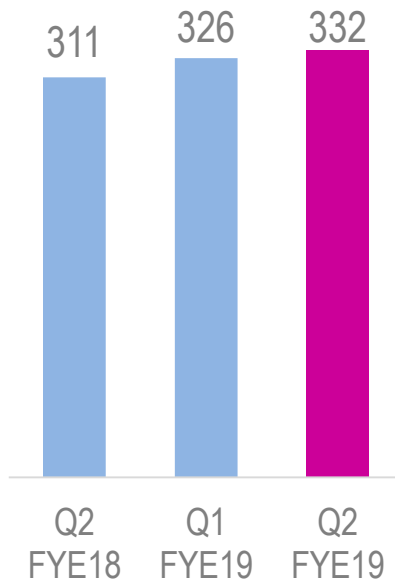
(RM mil)



### Revenue

+6.7% YoY  
+1.8% QoQ

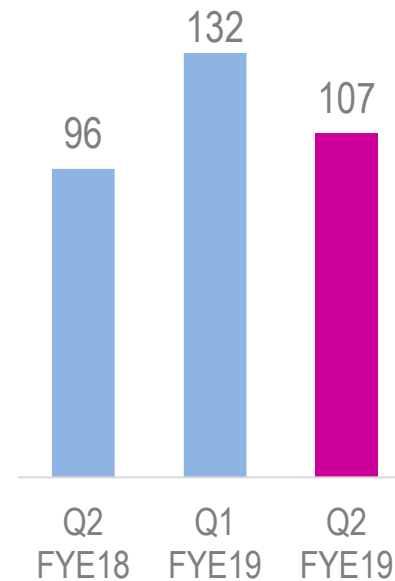
(RM mil)



### PBT

+11.9% YoY  
-18.9% QoQ

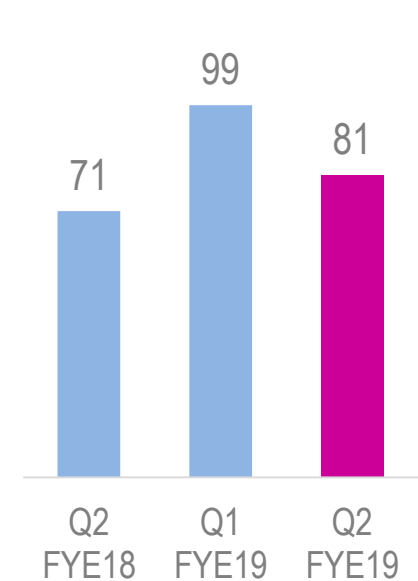
(RM mil)



### PAT

+13.0% YoY  
-18.2% QoQ

(RM mil)

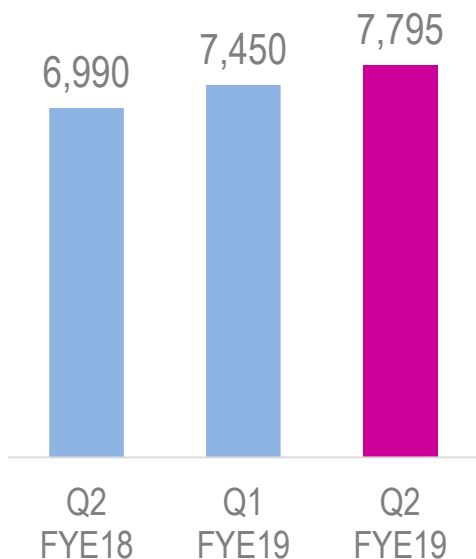


## Healthy balance sheet, supported by growth in financing receivables

### Total Financing Receivables

+12.4% YoY  
+5.4% QoQ

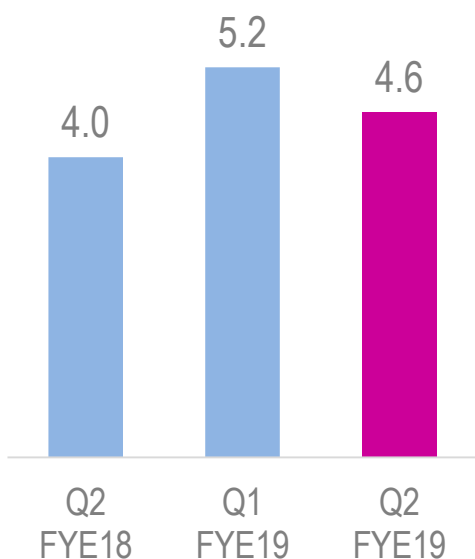
(RM mil)



### ROA

+0.6% YoY  
-0.6% QoQ

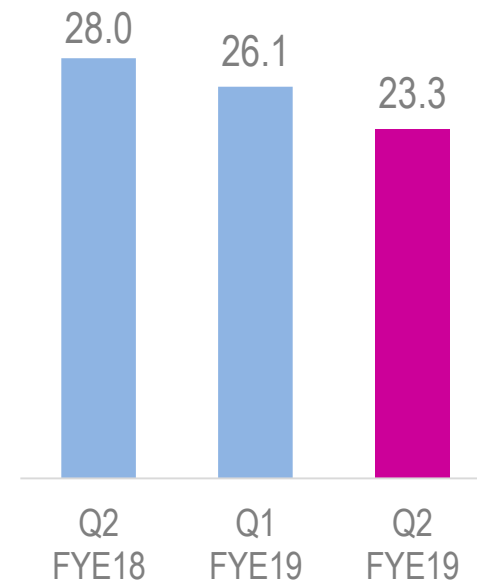
(RM mil)



### ROE

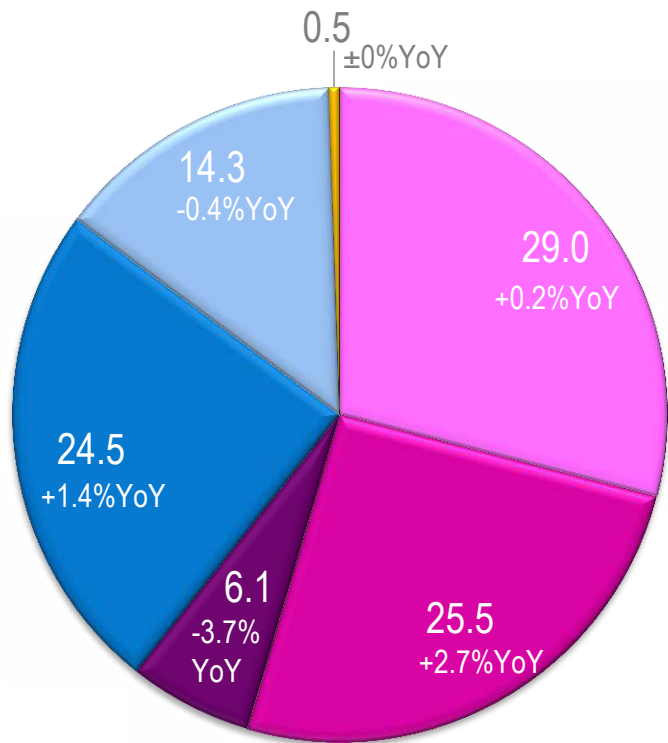
-4.7% YoY  
-2.8% QoQ

(RM mil)

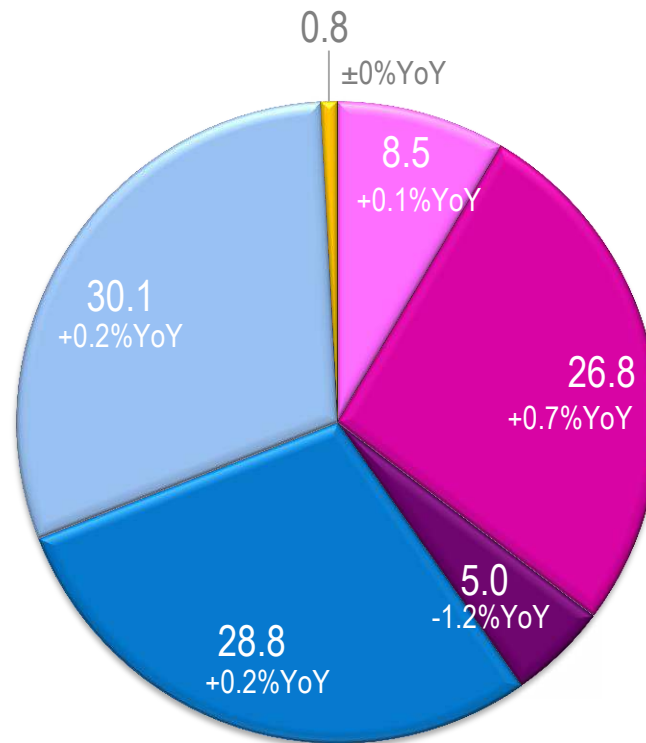


# Segmental Breakdown Summary: Q2FYE19

### Total Transaction & Financing Volume (%)



### Total Financing Receivables (%)



- Credit card
- Personal financing
- Objective financing
- Motorcycle financing
- Auto financing
- SME business

- Credit card
- Personal financing
- Objective financing
- Motorcycle financing
- Auto financing
- SME business

# Segmental Breakdown : Total Transaction & Financing Volume

**Total grew 27% QoQ, supported by Credit Card, Personal & Motorcycle Financing**

## Credit Card (CC)

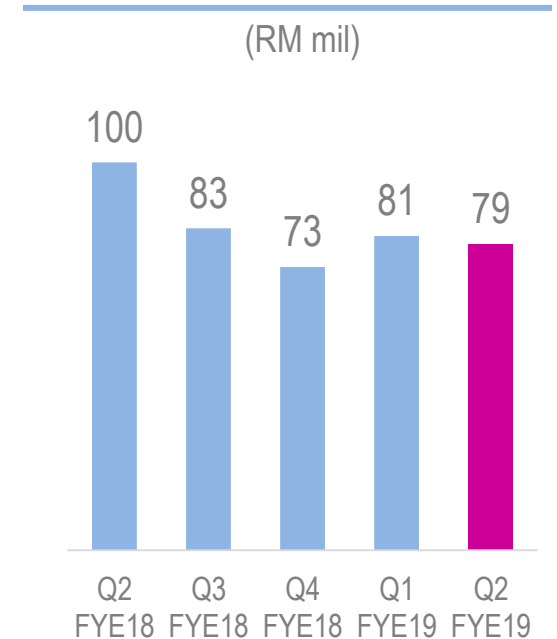
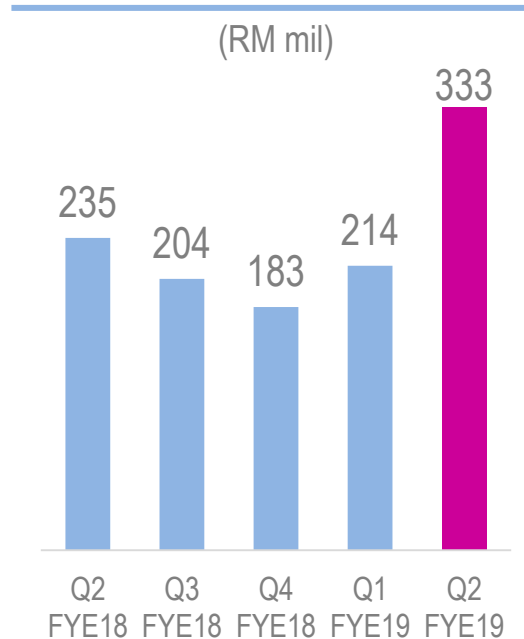
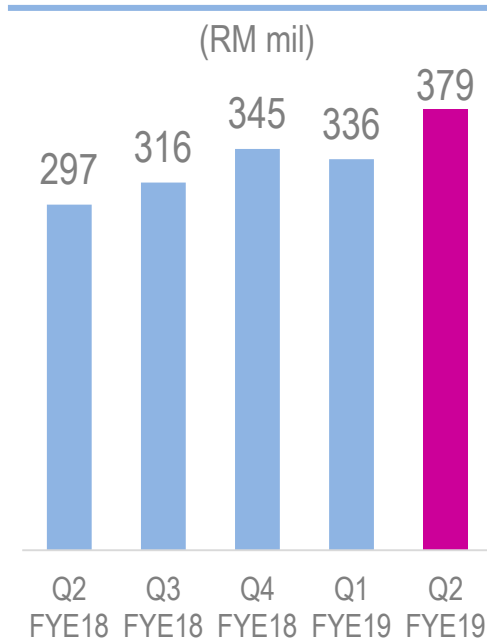
+27.6% YoY  
+12.8% QoQ

## Personal Financing (PF)

+41.7% YoY  
+55.6% QoQ

## Objective Financing (OF)

-21.0% YoY  
-2.5% QoQ



**Introducing new products & schemes for new customers segment to drive sales**

# Segmental Breakdown: Total Transaction & Financing Volume (Cont'd)

**Motorcycle & Auto Financing boosted by zero-rated GST  
in Jun-Aug 2018**

## Motorcycle Financing (MF)

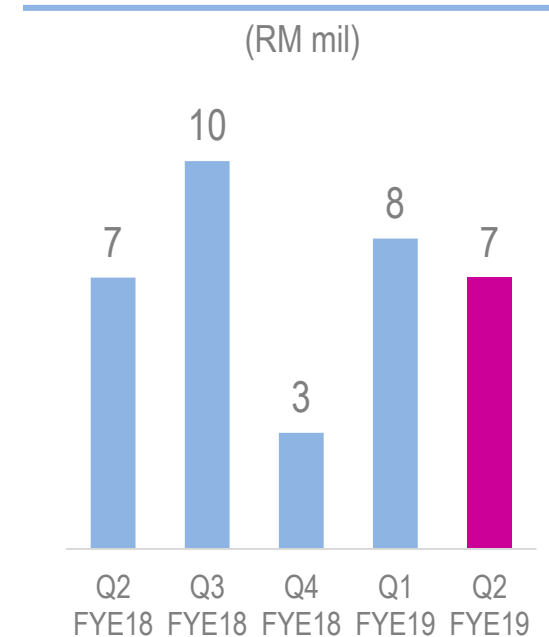
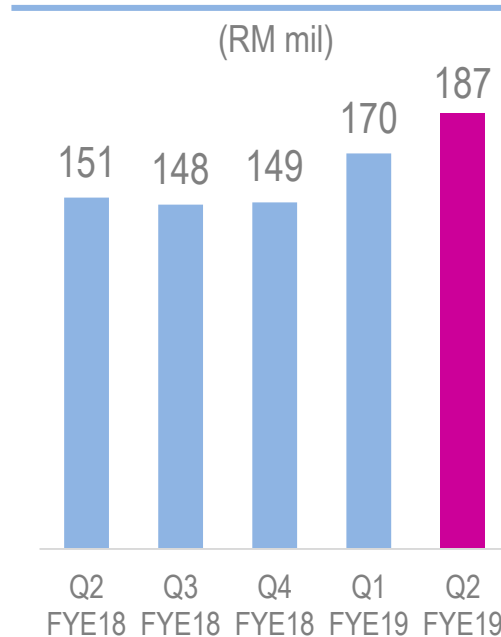
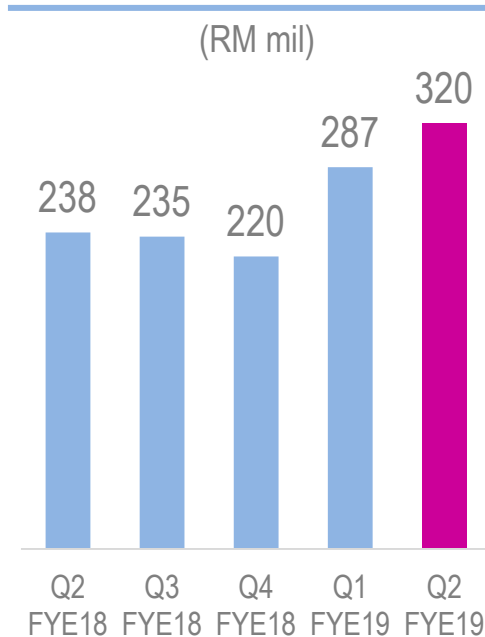
+34.5% YoY  
+11.5% QoQ

## Auto Financing (AF)

+23.8% YoY  
+10.0% QoQ

## SME Financing (SME)

No change YoY  
-12.5% QoQ



**Emphasize in accumulating quality receivables for MF and AF segments**

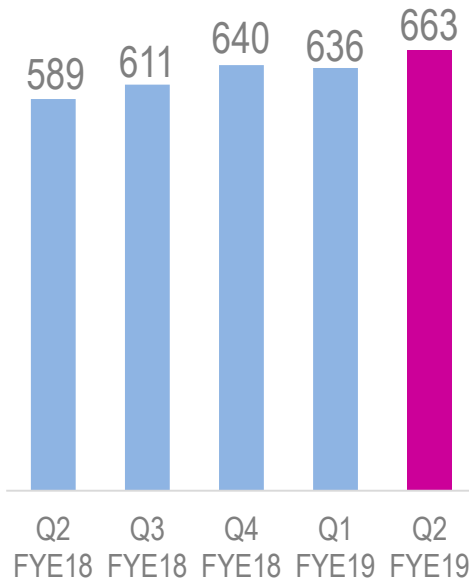
# Segmental Breakdown: Total Financing Receivables

**Total up 11.5% YoY, Personal, Motorcycle & Auto Financing are key contributors**

## Credit Card (CC)

+11.2% YoY  
+4.2% QoQ

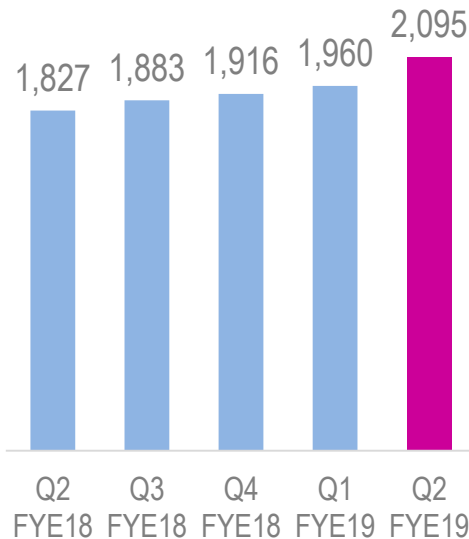
(RM mil)



## Personal Financing (PF)

+14.7% YoY  
+6.9% QoQ

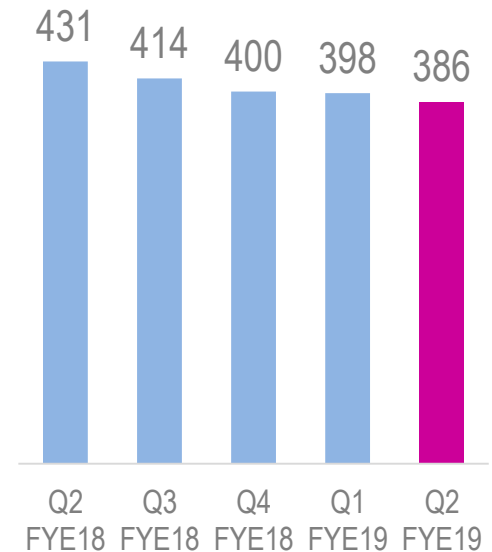
(RM mil)



## Objective Financing (OF)

-10.5% YoY  
-2.8% QoQ

(RM mil)



# Segmental Breakdown:

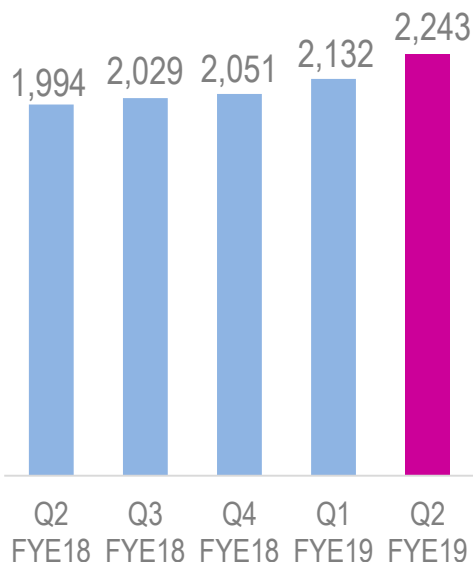
## Total Financing Receivables (Cont'd)

Strengthened receivables via M40 market expansion & improving quality in Motorcycle & Auto Financing

### Motorcycle Financing (MF)

+12.5% YoY  
+5.2% QoQ

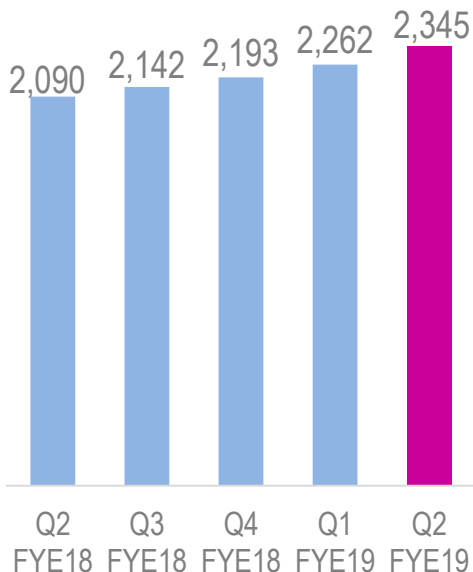
(RM mil)



### Auto Financing (AF)

+12.2% YoY  
+3.6% QoQ

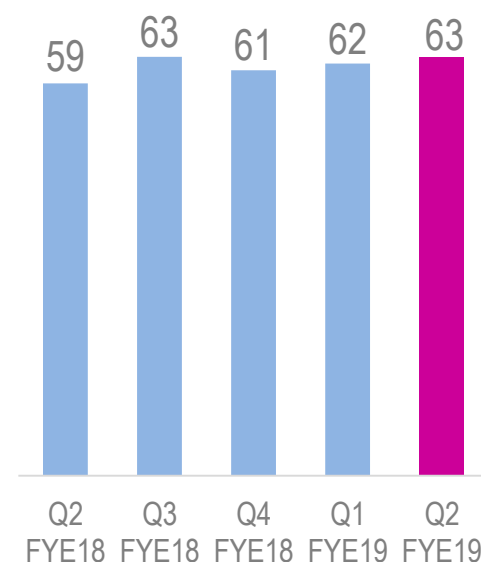
(RM mil)



### SME Financing (SME)

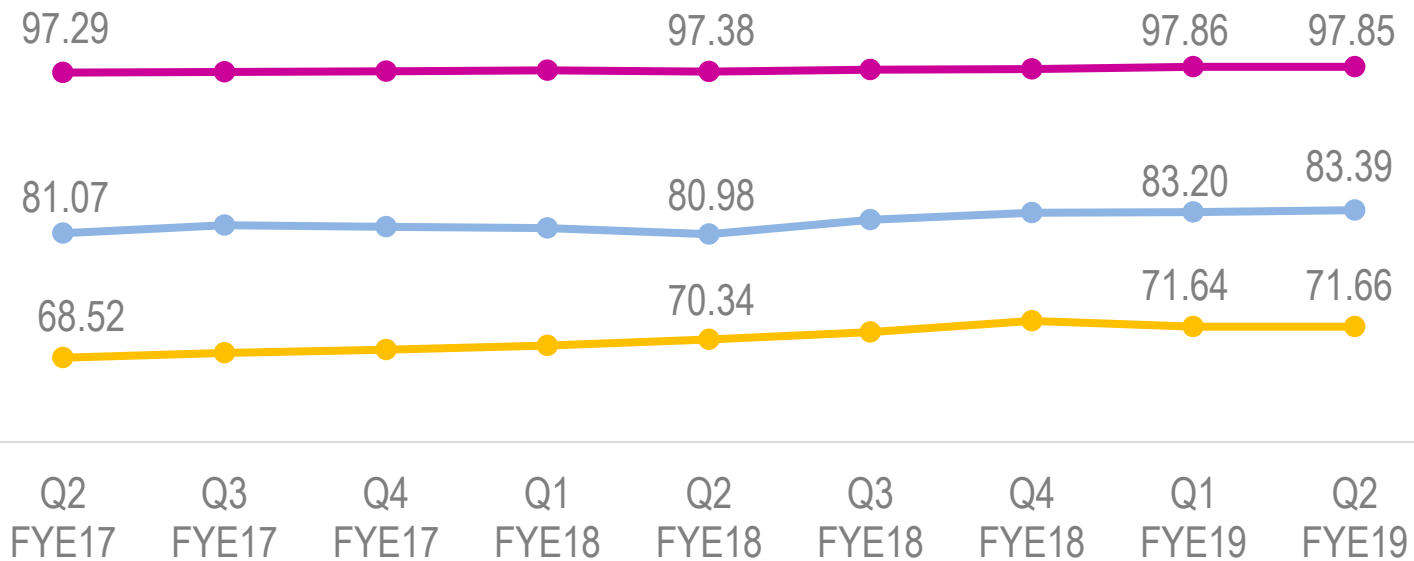
+6.4% YoY  
+0.4% QoQ

(RM mil)



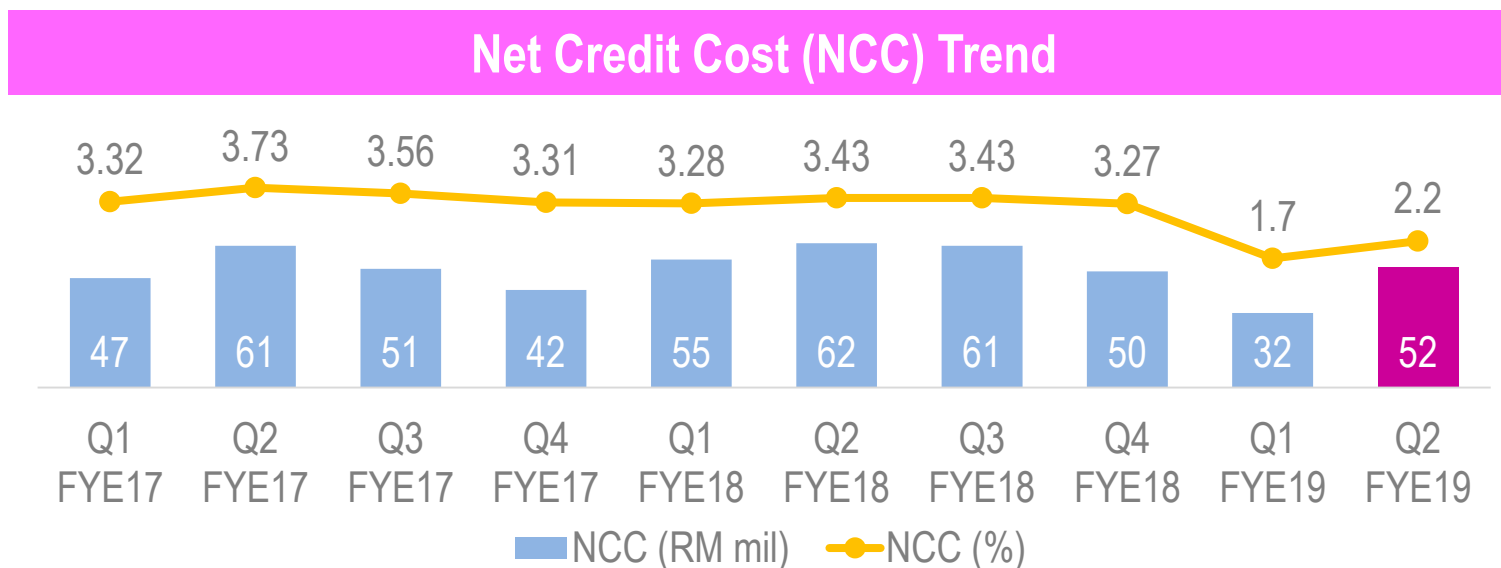
**Continual improvement in collection ratio**  
**Improve new receivables quality and collection operation**

## Receivables Collection Trend



- Current Collection Ratio - Not Past Due (%)
- D1 Collection Ratio - Past Due 1 month (%)
- D2 Collection Ratio - Past Due 2-3 months (%)

## Annualised Net Credit Cost Ratio reflects quality receivables

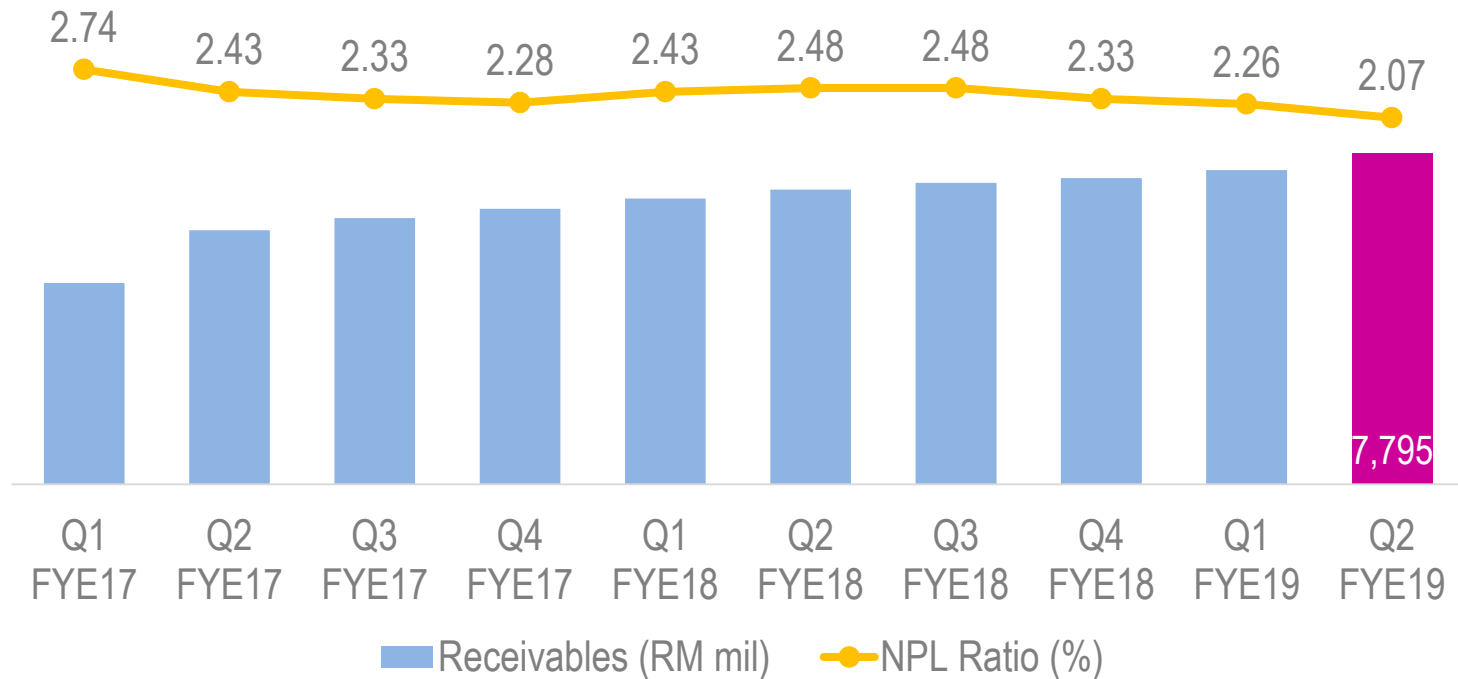


(RM mil)	Q1 FYE17	Q2 FYE17	Q3 FYE17	Q4 FYE17	Q1 FYE18	Q2 FYE18	Q3 FYE18	Q4 FYE18	Q1 FYE19	Q2 FYE19
Total Impairment Loss	71	82	75	77	83	85	87	82	*57	95
(-) Bad Debt Recovered	24	21	24	35	28	23	26	32	25	43
NCC	47	61	51	42	55	62	61	50	32	52

\* Decrease in Impairment Loss in Q1FYE19 due to MFRS 9 adoption with effect from 1 March 2019

Well-managed NPL, showing improving trend

## Non-performing Loans (NPL) Trend



## Consistent dividend commitment

	1H FYE18	1H FYE19
Interim Single Tier Dividend	21.13 sen/ share	<b>22.25 sen/ share</b>
Dividend Payout	RM52.245mil	<b>RM55.566mil</b>
Dividend Payout Ratio	35.5%	<b>32.0%</b>

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# Key Activities Update

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Launched **AEON Platinum credit card** with attractive privileges,  
Introducing new **Personal Financing Scheme** with risk based pricing in  
order to penetrate into middle income customer segment

**Platinum Credit Card  
Visa & Master**



**Personal Financing with Risk  
Based Pricing**



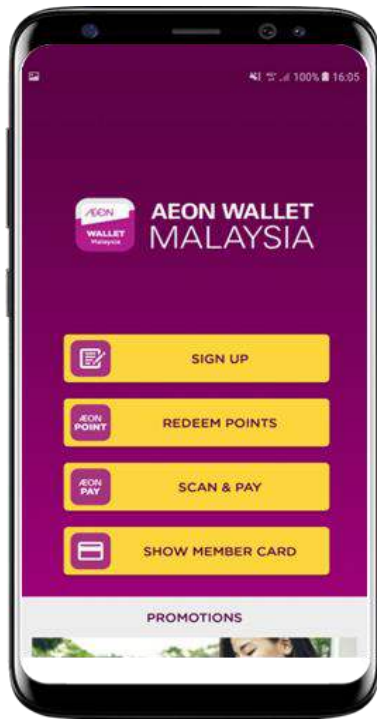
**Expand into M40 customer group by introducing new products/ schemes**

# Key Action: Expand Business Settlement

Launched the pilot test for E-Wallet & E-Money card in August 2018

AEON Member Plus Card  
AEON Wallet (E-Wallet)

Point / customer database  
integration



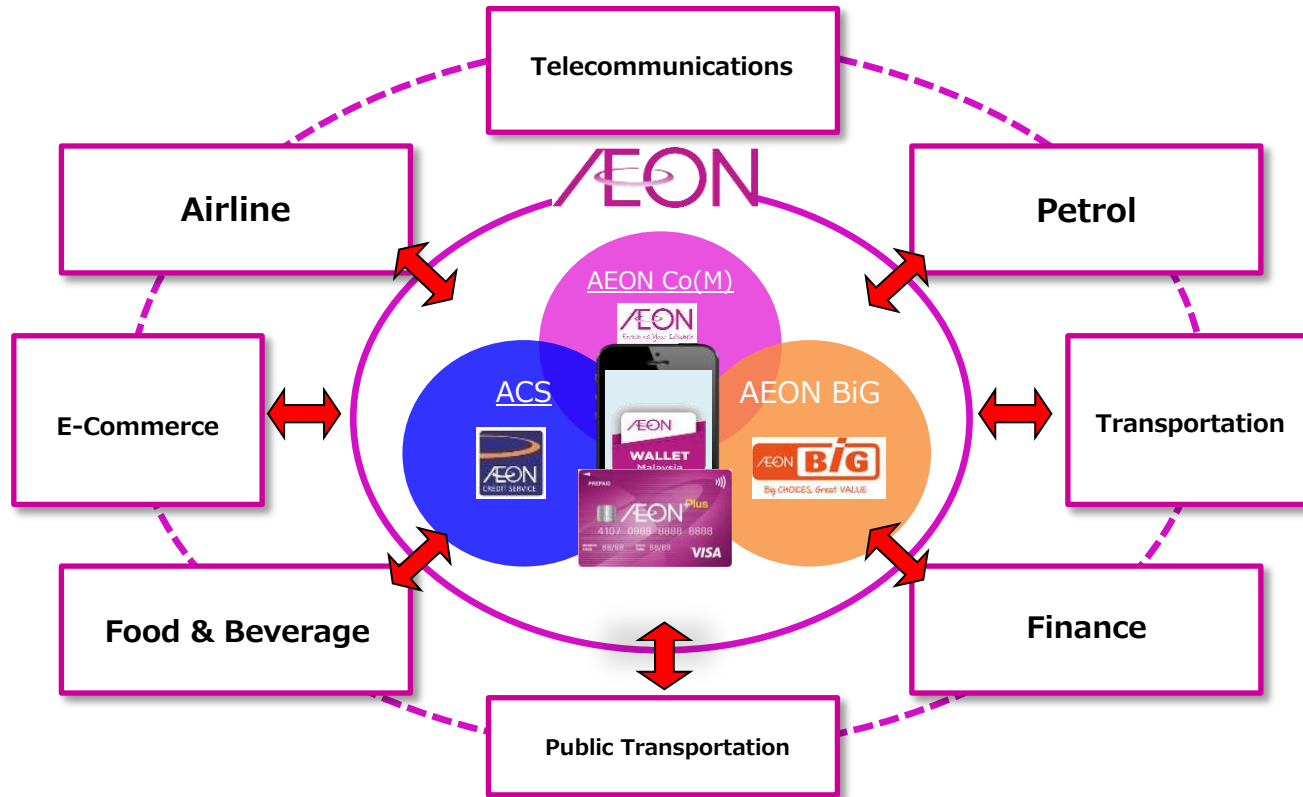
Introduce common platform



Expand members & provide new settlement experience within AEON group

# Key Action: Expand Business Settlement

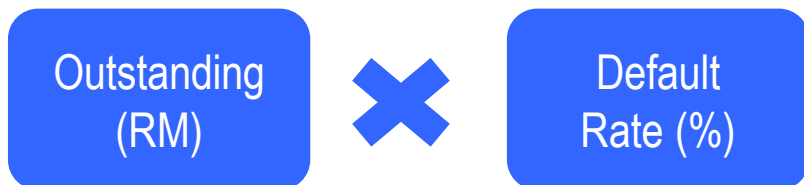
Introducing a common platform within AEON group & subsequently expand the settlement business networks to external parties



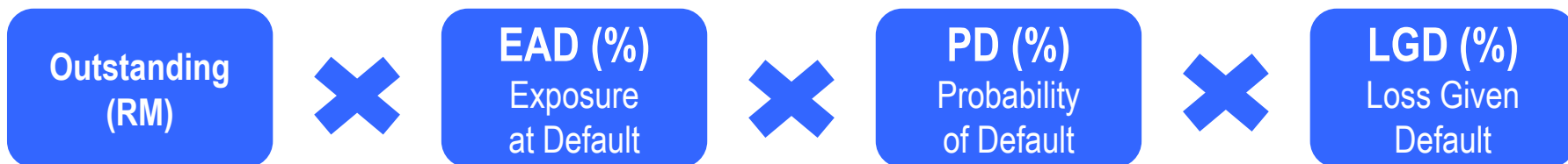
**Expand settlement business network through group retail stores & customer base**

Company is adopting MFRS 9 in FYE19

## MFRS 139 (previously used model) : Incurred Loss Model



## MFRS 9 : Expected Credit Loss Model



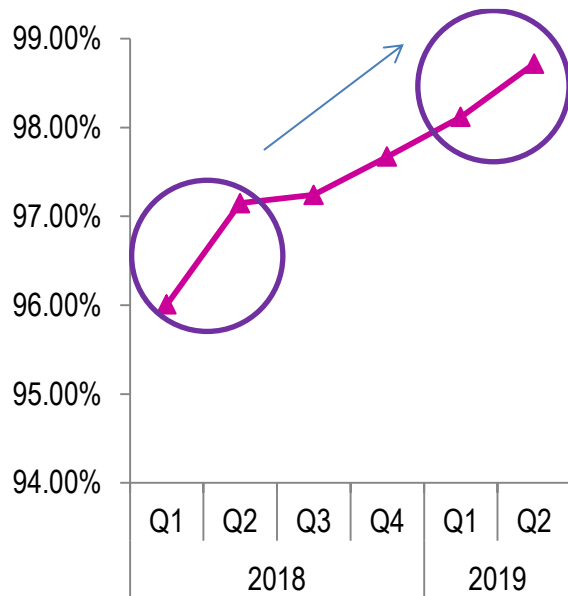
### 【Key Action for Credit management】

New Receivables	EAD	PD	LGD
Continually accumulate quality receivables by increase the transaction to be made by the middle income customers	Improve new receivables collection ratio	Improve delinquency collection to maintain at the current status	<ul style="list-style-type: none"> <li>Improve NPL collection operation,</li> <li>Written off account disposal to optimize profit and impairment loss effect</li> </ul>
	EAD/PD		
	Review product scheme (tenure and pricing) based on customer's risk profile		

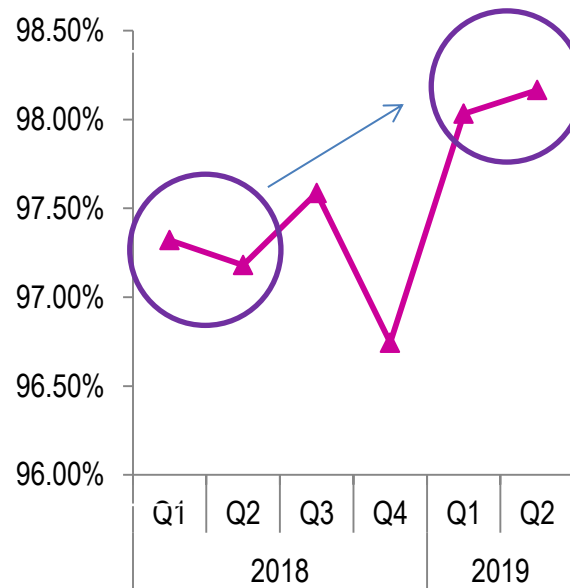
Main focus in FYE19 is on new receivables quality improvement  
 New sales collection improved compared with last year

## New Sales Collection Ratio

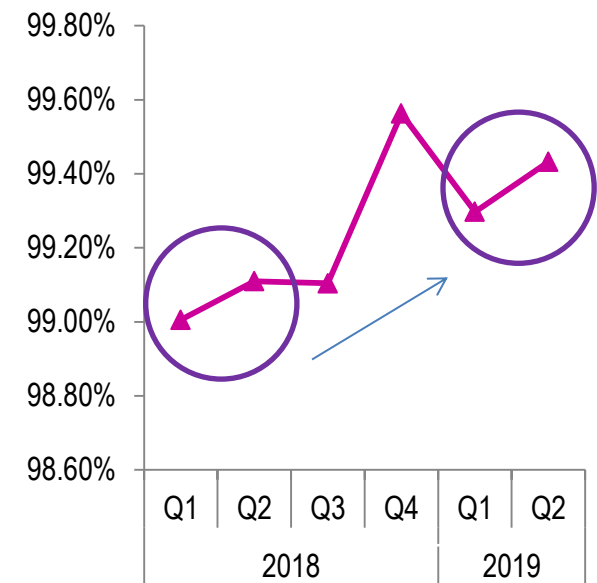
### Credit Card



### Hire Purchase



### Personal Financing



**Improve new receivable collection by expansion of M40 customer portfolio**

No	Item	Remark	Status
i.	Filed a Notice of Appeal (Form Q) on 4 Jan 2018	<ul style="list-style-type: none"> <li>The Company had filed a notice of appeal to dispute the additional assessments</li> </ul>	<ul style="list-style-type: none"> <li>The appeal is pending the fixing of hearing date by Special Commissioners of Income Tax.</li> </ul>
ii.	Judicial Review – Leave application	<ul style="list-style-type: none"> <li>Kuala Lumpur High Court dismissed the application on 5 March 2018</li> <li>The Company filed the Notice of Appeal on 5 March 2018 at Court of Appeal</li> </ul>	<ul style="list-style-type: none"> <li>Hearing date which fixed on 20 July 2018 has been postponed and rescheduled to <b>26 Oct 2018</b>.</li> </ul>
iii.	Judicial Review – Stay application	<ul style="list-style-type: none"> <li>Kuala Lumpur High Court dismissed the application on 8 May 2018</li> <li>The Company filed a Notice of Motion on 8 May 2018 at Court of Appeal</li> </ul>	<ul style="list-style-type: none"> <li>Hearing date fix on <b>28 Nov 2018</b>.</li> </ul>

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# Appendices

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(RM'000)	Q2 FYE18	Q1 FYE19	Q2 FYE19	QoQ (%)	YoY (%)	1H FYE18	1H FYE19	YoY (%)
<b>Total Transaction &amp; Financing Volume</b>	<b>1,028,446</b>	<b>1,094,821</b>	<b>1,304,065</b>	<b>19.1</b>	<b>26.8</b>	<b>2,079,309</b>	<b>2,398,832</b>	<b>15.4</b>
- Credit Card	296,892	336,003	378,597	12.7	27.5	585,676	714,599	22.0
- Easy Payment Financing	496,573	544,572	592,628	8.8	19.3	1,018,460	1,137,201	11.7
- Personal Financing	234,981	214,228	332,804	55.4	41.6	475,173	547,032	15.1
<b>Total Income</b>	<b>338,413</b>	<b>354,971</b>	<b>380,414</b>	<b>7.2</b>	<b>12.5</b>	<b>672,065</b>	<b>735,385</b>	<b>7.2</b>
<b>Total Expenses</b>	<b>(242,620)</b>	<b>(223,208)</b>	<b>(273,181)</b>	<b>(5.0)</b>	<b>(12.5)</b>	<b>(474,403)</b>	<b>(496,389)</b>	<b>4.44</b>
<b>Profit Before Tax</b>	<b>95,793</b>	<b>131,763</b>	<b>107,233</b>	<b>(18.6)</b>	<b>11.9</b>	<b>197,662</b>	<b>238,996</b>	<b>20.9</b>
<b>Corporate Tax</b>	<b>(24,408)</b>	<b>(32,528)</b>	<b>(26,593)</b>	<b>(18.2)</b>	<b>9.0</b>	<b>(50,465)</b>	<b>(59,121)</b>	<b>17.2</b>
<b>Net Profit</b>	<b>71,385</b>	<b>99,235</b>	<b>80,640</b>	<b>(18.7)</b>	<b>13.0</b>	<b>147,197</b>	<b>179,875</b>	<b>22.2</b>

(RM'000)	Q2FYE18	Q1FYE19	Q2FYE19	QoQ (%)	YoY (%)
<b>Credit Card (CC)</b>	<b>589,298</b>	<b>635,675</b>	<b>662,514</b>	<b>4.2</b>	<b>12.4</b>
- Card Purchase	522,636	569,929	596,744	4.7	14.2
- Cash Advance	66,662	65,746	65,770	0.0	(1.3)
<b>Personal Financing (PF)</b>	<b>1,827,101</b>	<b>1,959,945</b>	<b>2,095,048</b>	<b>6.9</b>	<b>14.7</b>
<b>Objective Financing (OF)</b>	<b>431,598</b>	<b>397,621</b>	<b>386,405</b>	<b>(2.8)</b>	<b>(10.5)</b>
<b>Motorcycle Financing (MF)</b>	<b>1,993,647</b>	<b>2,131,825</b>	<b>2,243,394</b>	<b>5.2</b>	<b>12.5</b>
- MOPED	1,094,389	1,262,158	1,365,391	8.2	24.8
- Superbike	899,258	869,669	878,003	1.0	(2.4)
<b>Auto Financing (AF)</b>	<b>2,089,689</b>	<b>2,262,284</b>	<b>2,344,598</b>	<b>3.6</b>	<b>12.2</b>
<b>SME Financing (SME)</b>	<b>59,078</b>	<b>62,585</b>	<b>62,858</b>	<b>0.4</b>	<b>6.4</b>
<b>Total Financing Receivables</b>	<b>6,990,411</b>	<b>7,449,937</b>	<b>7,794,817</b>	<b>4.6</b>	<b>11.5</b>
<b>Impairment Loss</b>	(168,441)	*(588,317)	(601,444)	2.2	257.1
<b>Other Assets</b>	746,629	675,044	779,464	-	-
<b>Total Assets</b>	<b>7,568,599</b>	<b>7,536,662</b>	<b>7,972,837</b>	<b>5.8</b>	<b>9.3</b>
<b>Total Liabilities</b>	<b>6,245,730</b>	<b>5,902,373</b>	<b>6,304,037</b>	<b>6.8</b>	<b>6.8</b>
<b>Shareholders' Fund</b>	<b>1,322,869</b>	<b>1,634,289</b>	<b>1,668,800</b>	<b>2.1</b>	<b>2.6</b>

\*Increase in impairment loss in Q1FYE19 due to MFRS 9 adoption with effect from 1 March 2019

(RM'000)	Q2 FYE18	Q1 FYE19	Q2 FYE19	QoQ (%)	YoY (%)	1H FYE18	1H FYE19	YoY (%)
Credit Card	28,782	28,428	28,629	0.7	(0.5)	56,371	57,057	1.2
Personal Financing	84,522	91,964	97,664	6.2	15.5	164,529	189,628	15.3
Objective Financing	30,724	27,471	25,968	(5.5)	(15.5)	60,972	53,440	-12.4
Motorcycle Financing	96,553	102,129	103,378	1.2	7.1	191,769	205,506	7.2
Auto Financing	69,173	74,321	74,944	0.8	8.3	136,801	149,265	9.1
SME Business	1,568	1,405	1,509	7.4	(3.8)	3,162	2,914	-7.8
<b>Total Revenue</b>	<b>311,322</b>	<b>325,718</b>	<b>332,092</b>	<b>2.0</b>	<b>6.7</b>	<b>613,604</b>	<b>657,810</b>	<b>7.2</b>
Other Operating Income	27,091	29,253	48,322	65.2	79.7	58,461	77,575	32.7
<b>Total Operating Income</b>	<b>338,413</b>	<b>354,971</b>	<b>380,414</b>	<b>7.2</b>	<b>12.5</b>	<b>672,065</b>	<b>735,385</b>	<b>9.4</b>

(RM mil)	Q2 FYE18	Q1 FYE19	Q2 FYE19	QoQ (%)	YoY (%)	1H FYE18	1H FYE19	YoY (%)
- Impairment loss on receivables	84.5	57.1	95.2	66.8	12.7	167.1	152.3	(9.2)
- Personnel expenses	52.8	48.6	58.5	20.4	111	96.8	107.1	10.6
- Other operating expenses	46.7	59.0	58.3	(1.3)	25.0	96.0	117.3	22.2
<b>Operating Expenses</b>	<b>184.0</b>	<b>164.7</b>	<b>212.0</b>	<b>28.7</b>	<b>15.2</b>	<b>359.9</b>	<b>376.7</b>	<b>4.4</b>
- Funding Costs	57.8	58.5	61.2	0.5	0.6	113.7	119.7	5.3
- Other expenses	0.8	0.03	0.01	(37)	(98.8)	0.8	0.047	(95.6)
<b>Total Expenses</b>	<b>242.6</b>	<b>223.2</b>	<b>273.2</b>	<b>22.4</b>	<b>12.6</b>	<b>474.4</b>	<b>496.4</b>	<b>4.5</b>

(RM mil)	FYE16	FYE17	FYE18	Q1FYE19	Q2FYE19	1HFYE19
PBT	302	351	398	132	107	239
PAT	228	265	300	99	81	180
No. of shares (mil)	144	248	*249 (255)	*249 (255)	*249 (255)	*249 (255)
Basic/(Diluted) EPS* (RM)	1.49	1.01	1.15/(1.12)	1.54/(1.51)	1.39/(1.36)	1.39/(1.36)
NTA per share (RM)	5.45	6.63	6.37	5.45	5.58	5.58
ROE* (%)	29.3	28.9	22.6	26.1	23.3	23.3
ROA* (%)	4.1	4.0	4.0	5.2	4.6	4.6
Capital ratio against receivables *(%)	20.2	19.5	25.1	22.5	22.0	22.0
Debt-to-Equity Ratio (x)	4.56	4.7	3.0	3.4	3.6	3.6
Share Price (RM)	11.92	15.70	13.46	14.80	15.10	15.1
PER (x)	8.0	9.0	9.4	9.6	11.9	10.86
Market Capitalisation	1716	2,261	3,344	3,689	3,760	3,771

\* Annualised where applicable; FYE18 EPS restated to reflect the bonus issue completed on 19/7/2017 and the latest conversion of 3-year 3.5% ICULs to ordinary shares

\* (Total Equity/Receivable) : Total equity excluded ICULS equity, hedging reserve & fair value reserve

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# THANK YOU