



# AEON CREDIT SERVICE

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Listing Board

Bursa Malaysia Securities Berhad, Main Market

Stock Name/ Code

AEONCR/ 5139

## Q3/9M FYE19 Results Update

20 Dec 2018

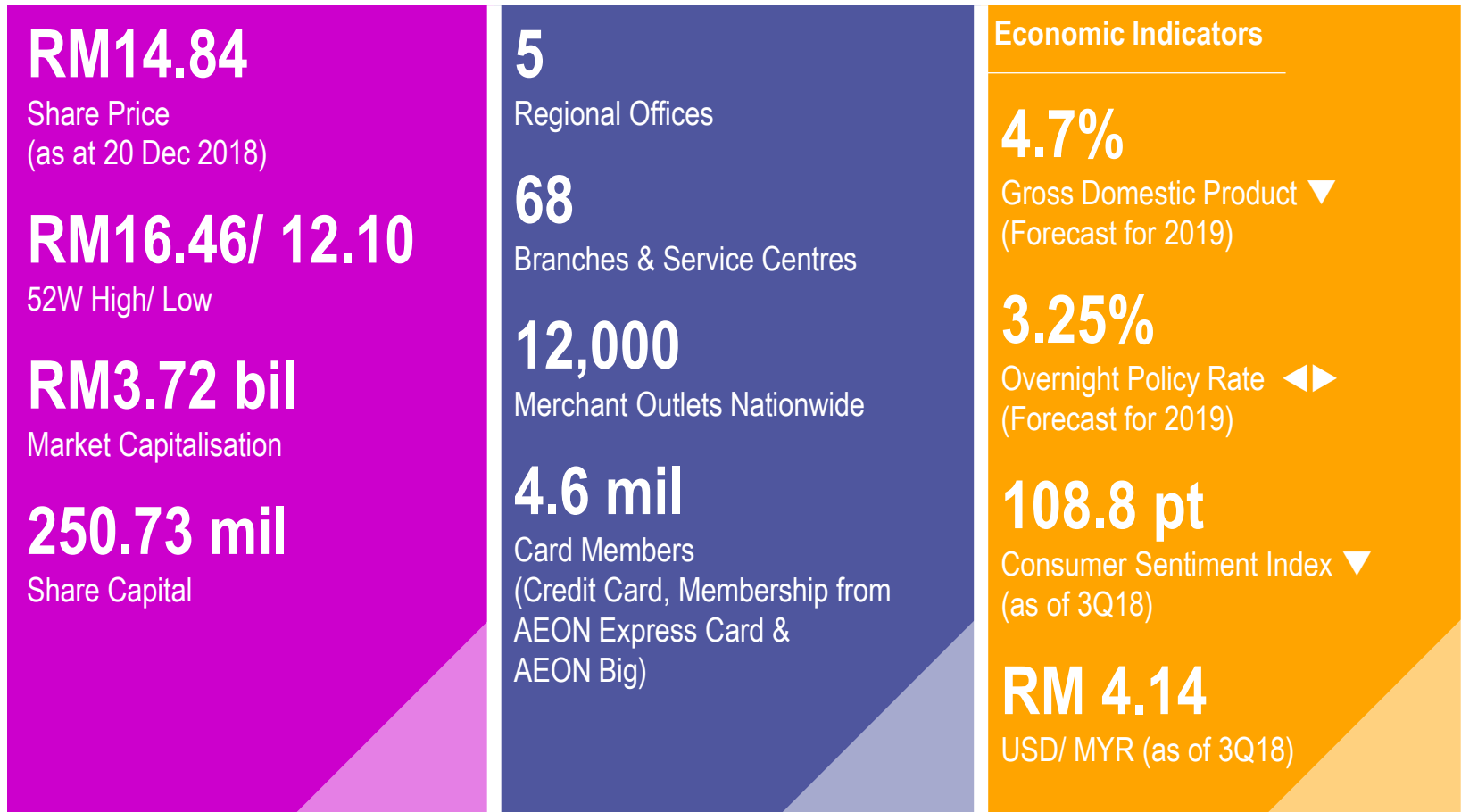
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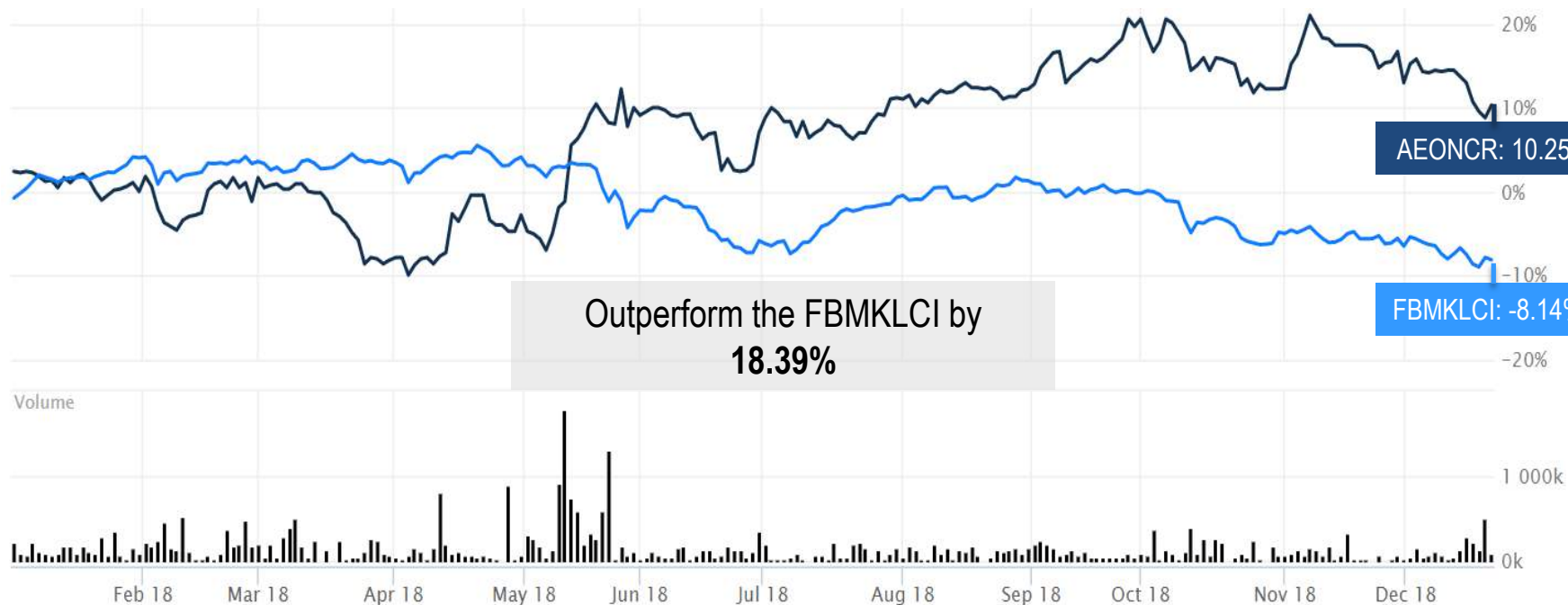
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A Distinctive Non-Bank Based **Financial Service Provider** Offering Easy Payment Schemes, Personal Finance Schemes, Credit Card Issuance, Insurance & Other Services





Stock Name/Code	<b>AEONCR/5139</b>
Market	<b>Main Market</b>
Sector	<b>Financial Services</b>
Share Price (As at 20 Dec 18)	<b>RM 14.84</b>
52-Week High/Low	<b>RM12.10-16.46</b>

Market Capital	<b>RM3.72 billion</b>
FYE	<b>28 February</b>
Dividend Payout Ratio	<b>30% - 32% FYE18 – FYE19</b>
ICULS	<b>432,000,000 units (15 Sep 17)</b>
Balance of Unconverted ICULS (As at 30 Nov 18)	<b>50,272,500 units (11.64%)</b>

“ Steady performance delivered post-SST. Going forward, we will continue to expand business and create value by focusing on quality growth, digitalisation and efficiency. ”

## Q3 FYE19

Total Transaction &  
Financing Volume  
**+49.5% YoY**

Revenue  
**+11.6% YoY**

PAT  
**+23.5% YoY**

## 9M FYE19

Total Transaction &  
Financing Volume  
**+26.4% YoY**

Revenue  
**+8.7% YoY**

PAT  
**+22.6% YoY**

Gross Financing  
Receivables  
**+15.4% YoY**

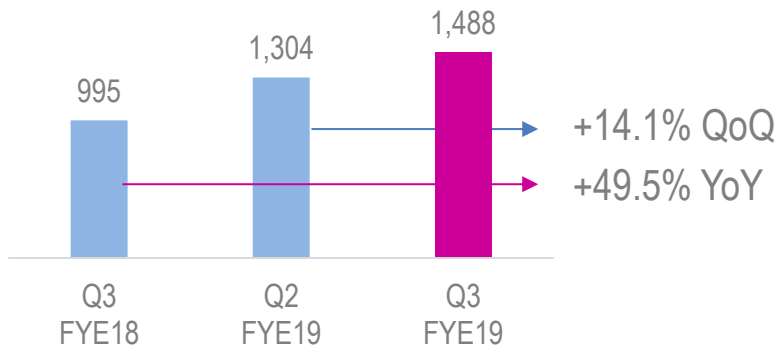
ROE  
**22.8%**  
(annualized)

NPL  
**2.05%**

**23.5% PAT grew YoY from increased transaction & financing volume, lower impairment loss on financing receivables**

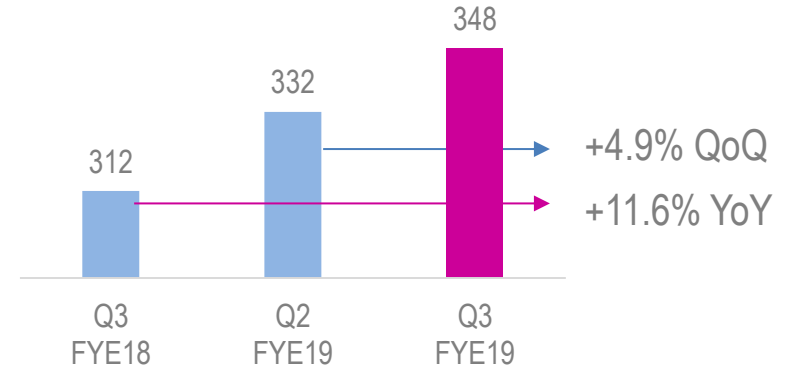
## Total Transaction & Financing Volume

(RM mil)



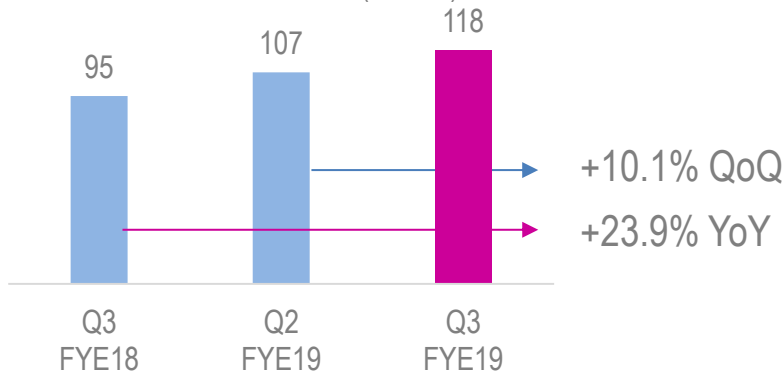
## Revenue

(RM mil)



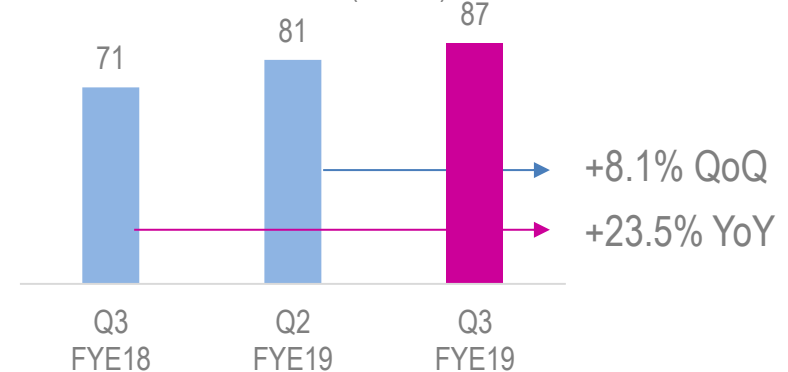
## PBT

(RM mil)



## PAT

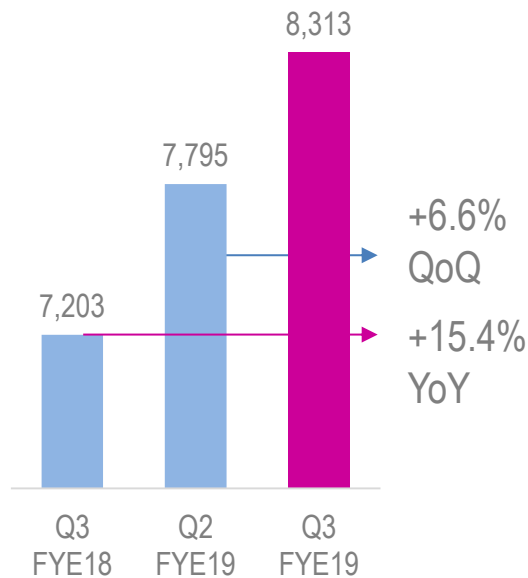
(RM mil)



## Remains healthy with YoY financing receivables growth

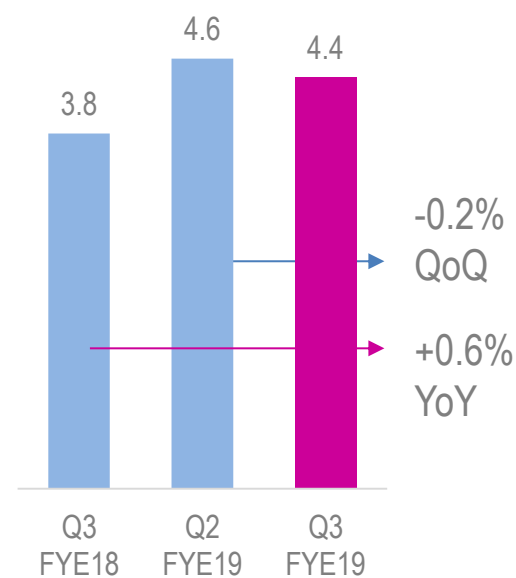
### Total Financing Receivables

(RM mil)



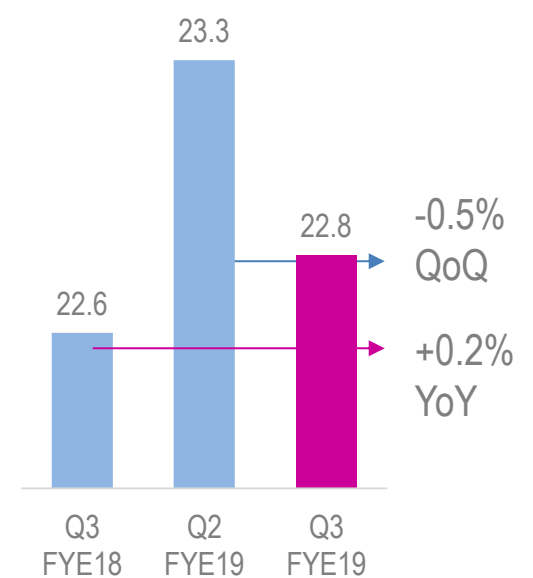
### ROA

(%)



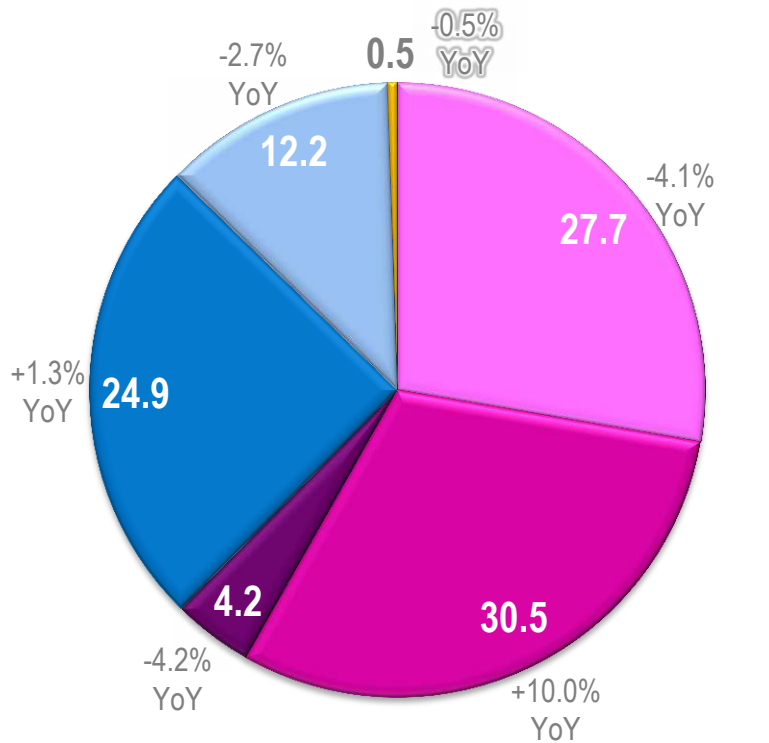
### ROE

(%)

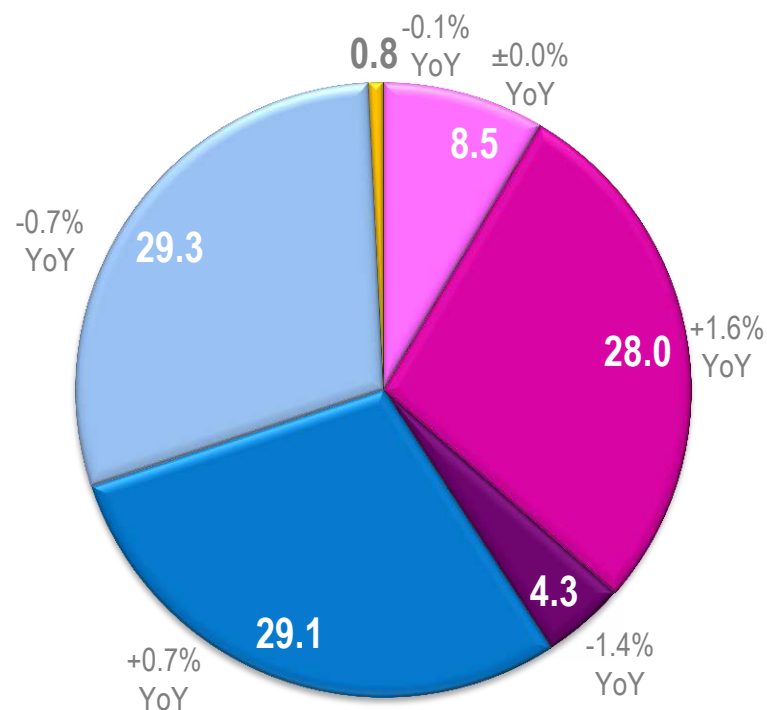


# Segmental Breakdown Summary: Q3 FYE19

Total Transaction & Financing Volume (%)



Total Financing Receivables (%)



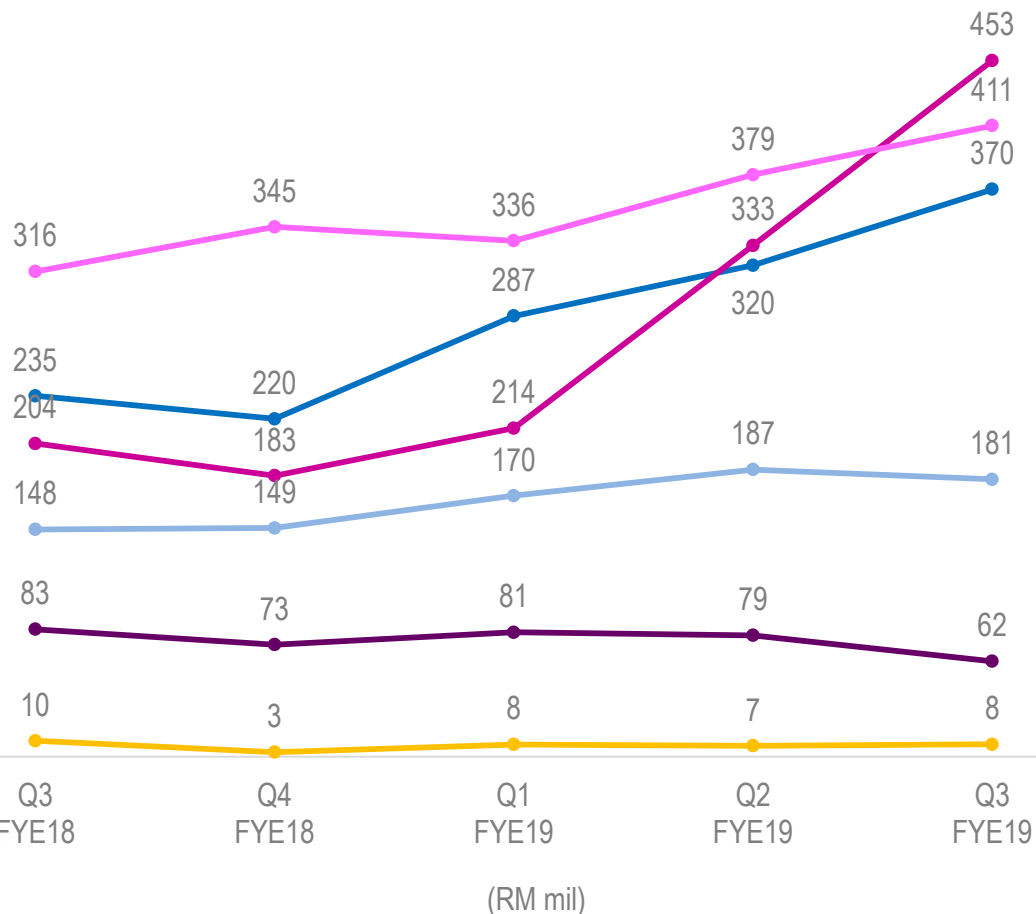
- Credit Card
- Personal Financing
- Objective Financing
- Motorcycle Financing
- Auto Financing
- SME Financing

- Credit Card
- Personal Financing
- Objective Financing
- Motorcycle Financing
- Auto Financing
- SME Financing

# Segmental Breakdown : Total Transaction & Financing Volume

**+45.9% YoY in total, mainly from Personal, Motorcycle & Auto Financing**

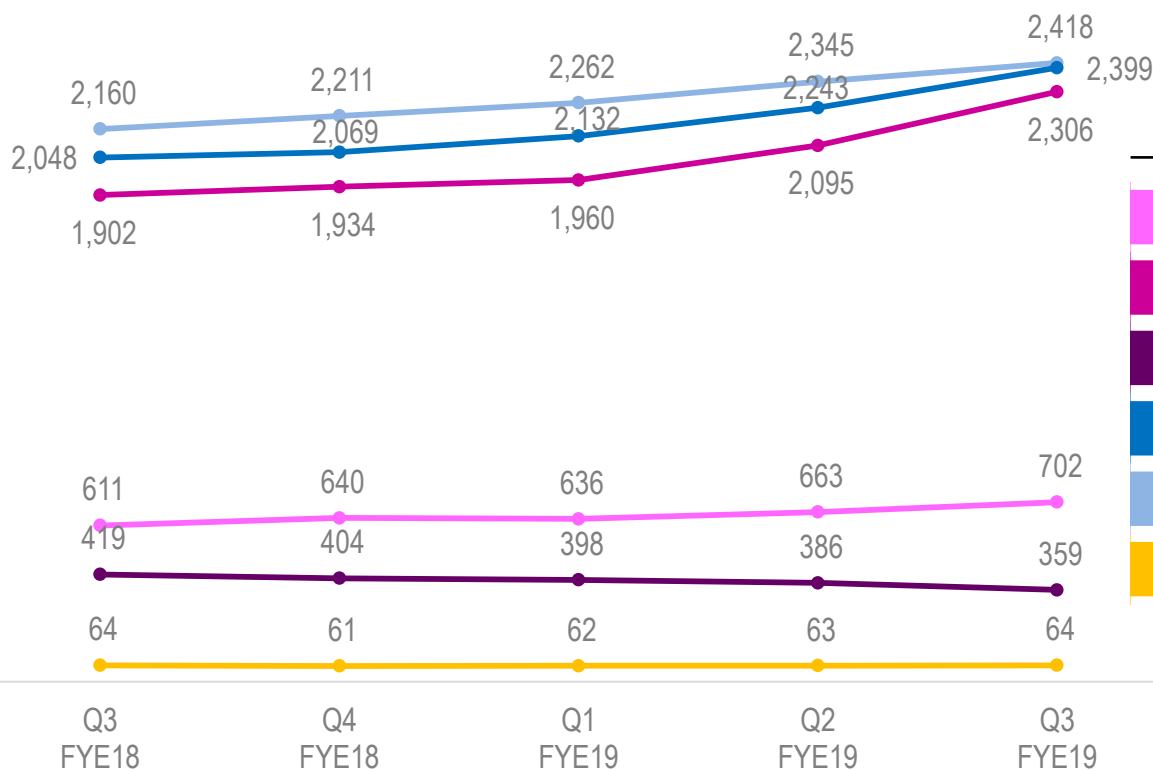
**Supported by sales from new products & schemes introduced for M40 customers**



Segment	YoY (%)	QoQ (%)
Credit card	+30%	+8%
Personal Financing	+122%	+36%
Objective Financing	-25%	-21%
Motorcycle Financing	+57%	+15%
Auto Financing	+22%	-3%
SME Financing	-22%	+13%

# Segmental Breakdown: Total Financing Receivables

**+15.4% YoY in total, mainly from Personal, Motorcycle & Auto Financing**  
**As a result of improved customer mix & bad debt recovery**



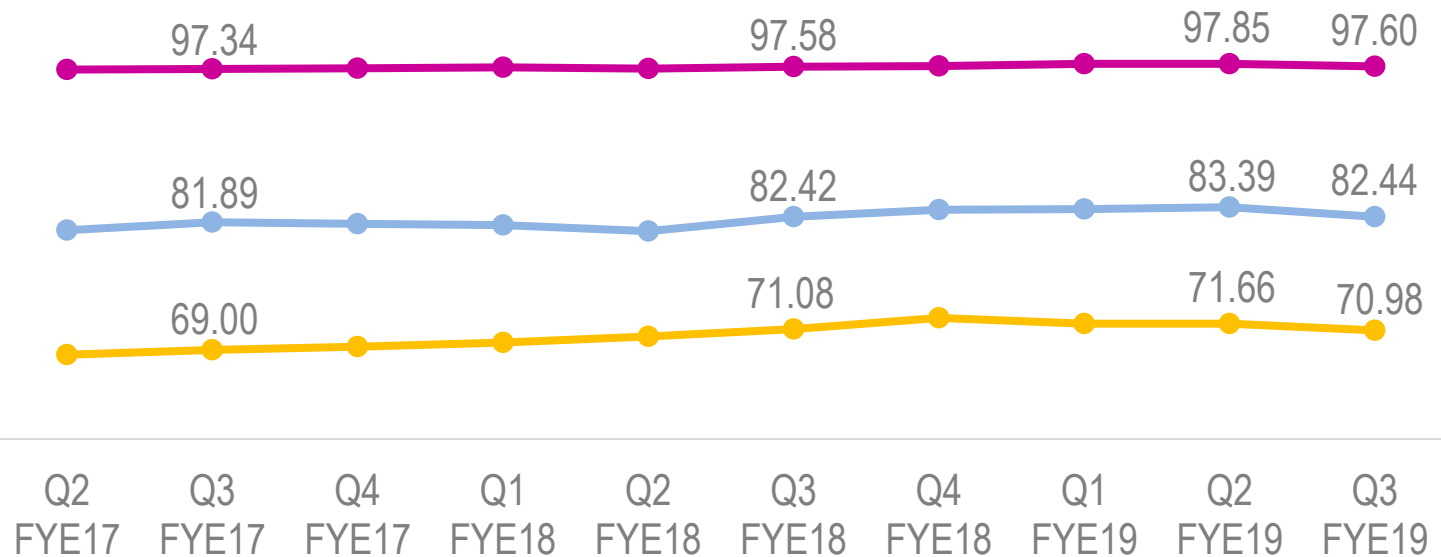
(RM mil)

Segment	YoY (%)	QoQ (%)
Credit card	+15%	+6%
Personal Financing	+22%	+10%
Objective Financing	-13%	-7%
Motorcycle Financing	+18%	+7%
Auto Financing	+13%	+3%
SME Financing	+1%	+2%

## Stable collection ratio

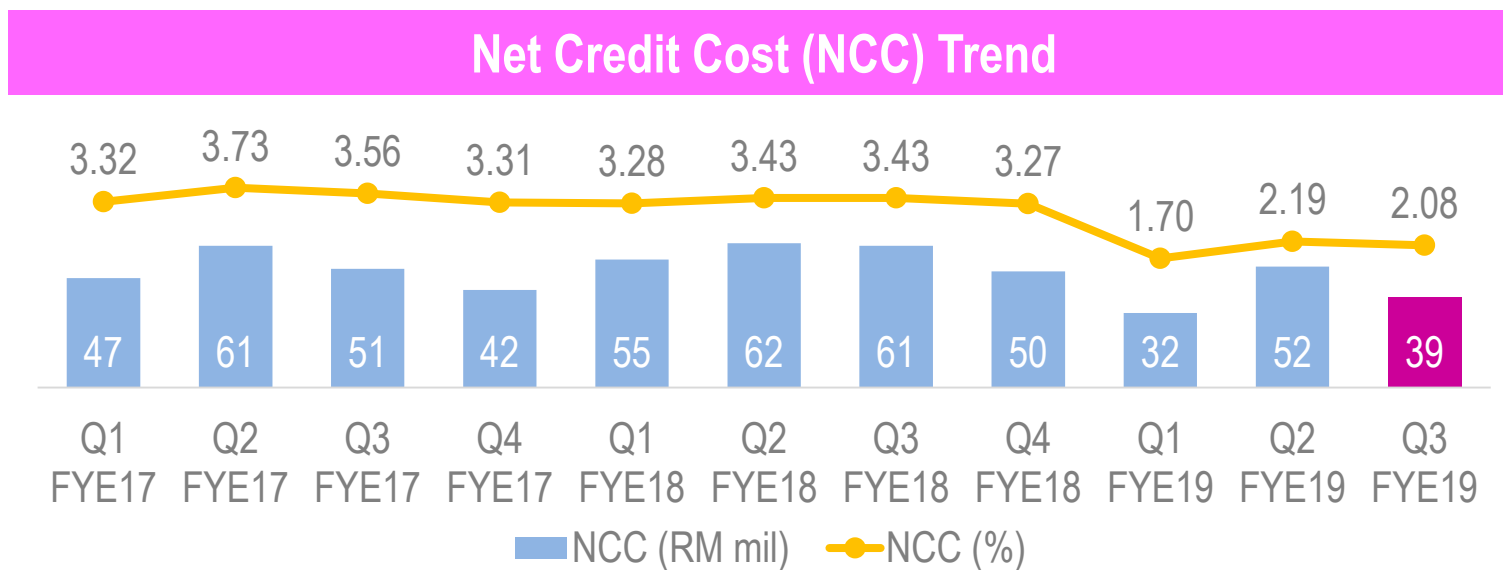
Derived from the strengthening of new receivable quality & collection operation

### 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



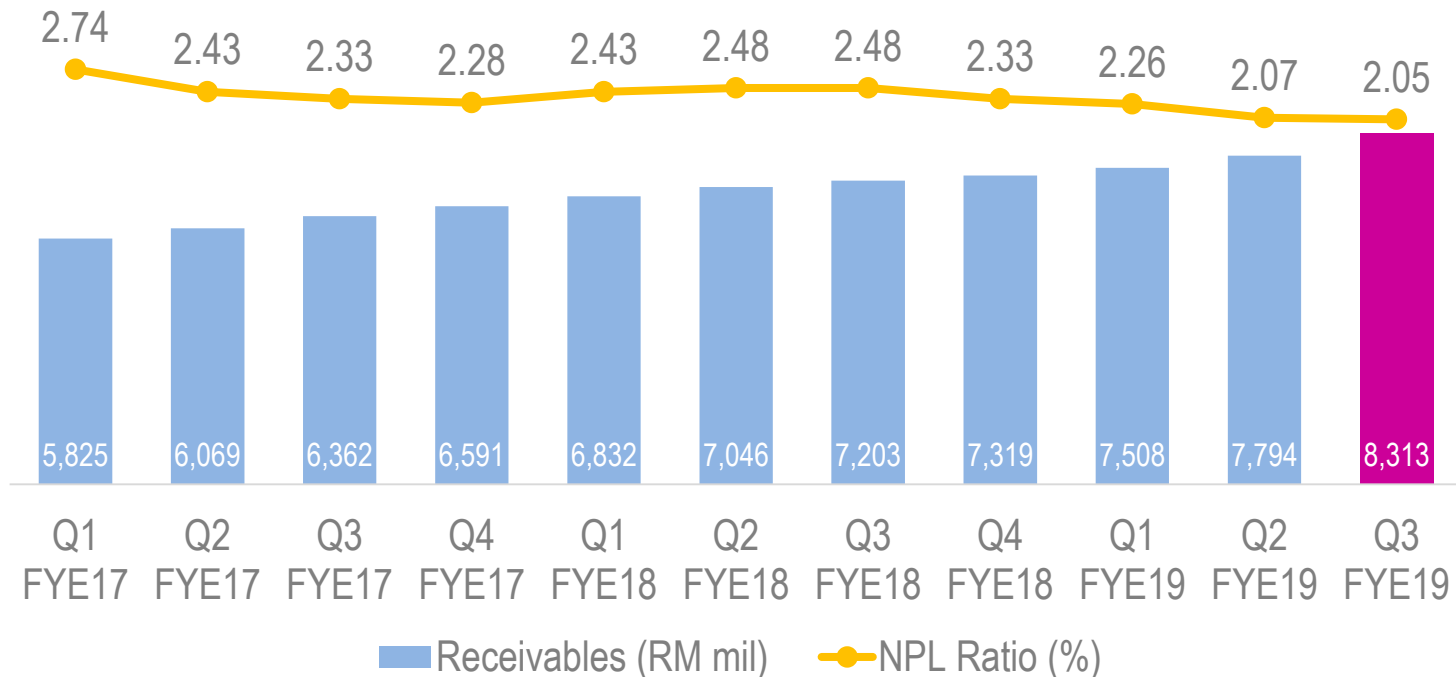
(RM mil)	Q1 FYE17	Q2 FYE17	Q3 FYE17	Q4 FYE17	Q1 FYE18	Q2 FYE18	Q3 FYE18	Q4 FYE18	Q1 FYE19	Q2 FYE19	Q3 FYE19
Total Impairment Loss	71	82	75	77	83	85	87	82	*57	95	62
(-) Bad Debt Recovered	24	21	24	35	28	23	26	32	25	43	23
<b>NCC</b>	<b>47</b>	<b>61</b>	<b>51</b>	<b>42</b>	<b>55</b>	<b>62</b>	<b>61</b>	<b>50</b>	<b>32</b>	<b>52</b>	<b>39</b>

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

## Well-managed NPL

Due to collection improvement from new transactions & bad debts

### Non-performing Loans (NPL) Trend



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# Key Activity Updates

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# Key Action: Business Settlement Expansion

AEON E-Wallet & E-Money card launched on 8 Nov 2018

Cashless solution readily implemented at all Aeon retail outlets nationwide



【Grand launching at AEON Shah Alam】

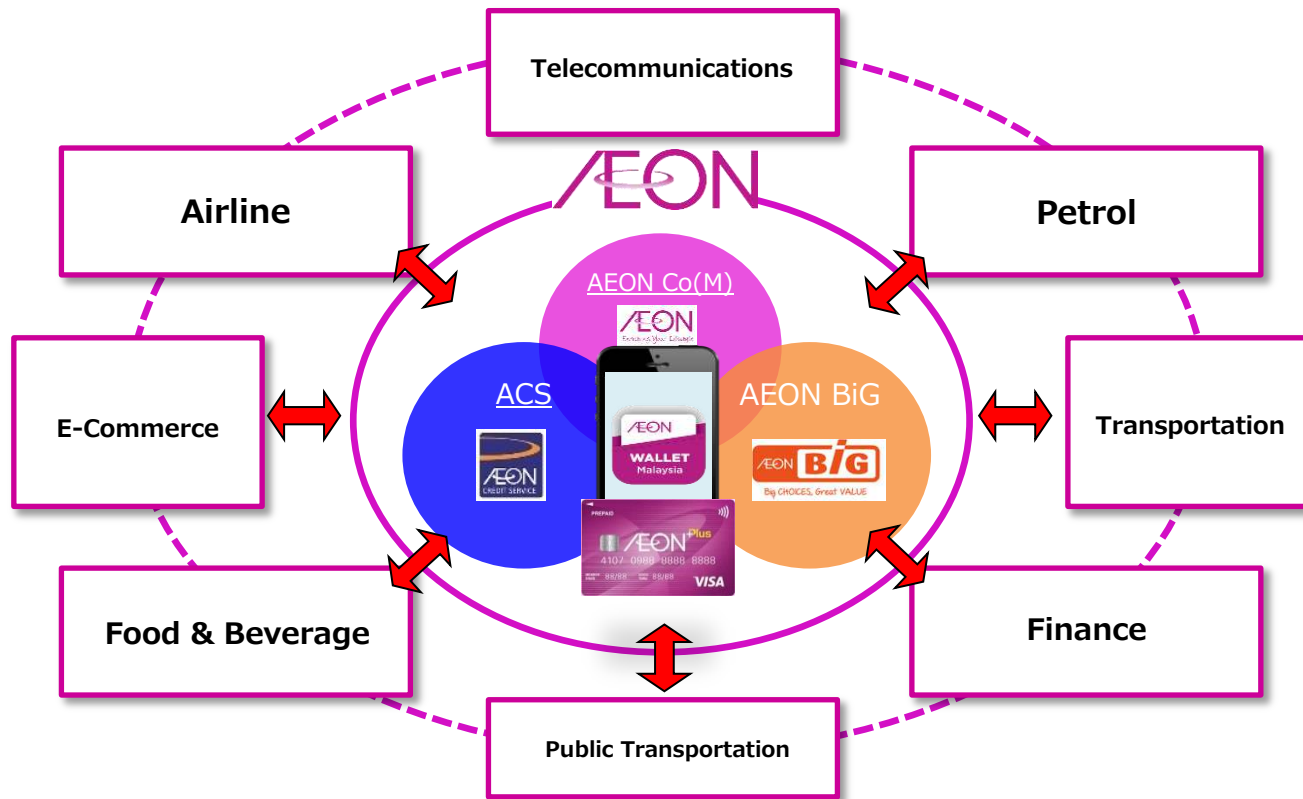
As at 20 Dec 18	No. of Store	Kiosk
AEON Co (include Maxvalu)	40	30
AEON Big	22	22
AEON Wellness	62	0
AEON Mall Tenant	75	0
<b>Total</b>	<b>199</b>	<b>52</b>

**Expanding by tapping into the existing 6 million users of AEON Group**

# Key Action:

## Business Settlement Expansion

Integrating with a wide range of business partners to enhance AEON's eco-system & provide privilege to our customers



Expanding by working with the business partners of AEON Group

# Key Action: Products Targeting M40 Customers

Launched risk based pricing  
for Personal & Super Bike Financing

**Personal financing - risk based pricing**

NIKMATI KADAR KEUNTUNGAN ISTIMEWA SERENDAH

**0.66%** SEBULAN

RM55 PERBULAN BERMULA DARI

RM100K PERBULAN MAKSIMUM

AEON i-CASH

**Superbike financing – risk based pricing**

Enjoyment don't just come with imagination

**SPECIAL PROMOTION RATE AS LOW AS 3.60%** per annum

Promotion valid till 31 December 2019

FINANCE YOUR PURCHASE

FIND OUT MORE!

\*Terms & Conditions apply

**Low interest for used car (selected model)**

USED CAR FINANCING

**SUPREME DEALS**

Special Promotion Rate as low as **3.69%** per annum

Promotion valid till 31 January 2019

HONDA ISUZU MAZDA MITSUBISHI NISSAN SUBARU SUZUKI TOYOTA

FIND OUT MORE

\*Terms & Conditions apply

**New financing category**

Own a **PREMIUM BIKE** Today!

**SPECIAL PROMOTION RATE AS LOW AS 0.55%** PER MONTH

Financing Available

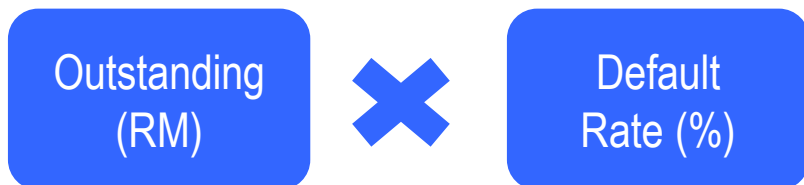
FIND OUT MORE

**Expanding by introducing customised products to M40 customers**

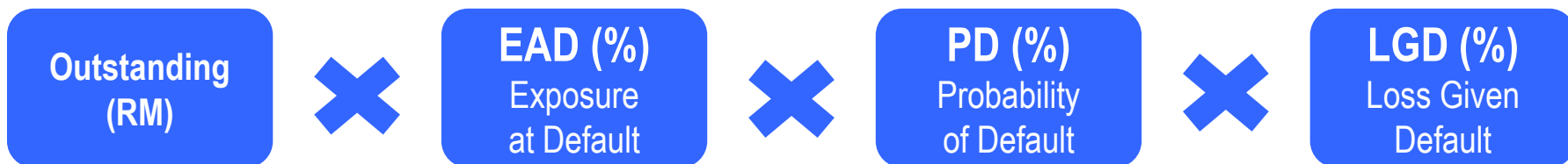
# Key Action: MFRS 9

Continually manage each element to improve Credit cost

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



## MFRS 9 : Expected Credit Loss Model



### 【Key Action for Credit management】

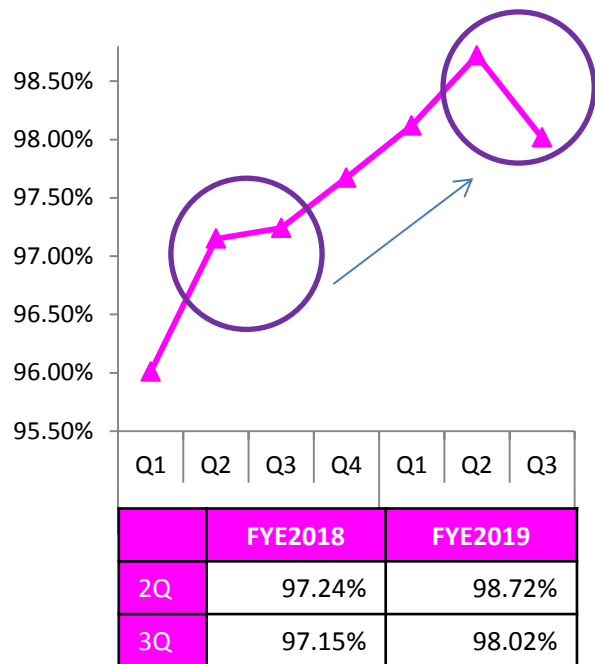
New Receivables	EAD	PD	LGD
Continually accumulate quality receivables by increasing the transactions from M40 customer segment	Improve new receivables collection ratio	Improve delinquency collection to maintain at the current status	<ul style="list-style-type: none"> <li>Improve NPL collection operation,</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		

# Key Action: MFRS 9 (cont'd)

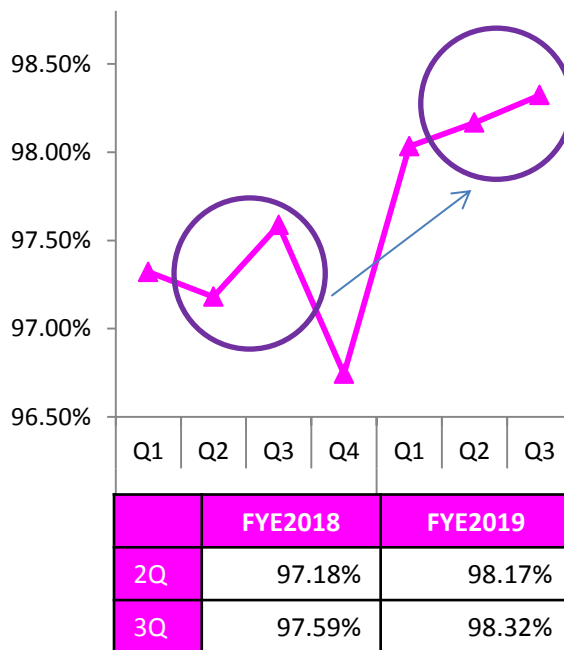
FYE19's key focus on new receivables quality  
YoY sales collection showed improvement

## New Sales Collection Ratio

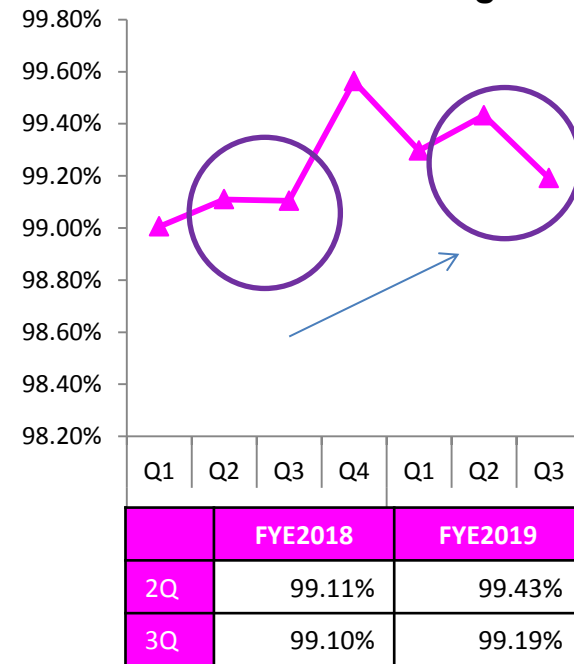
### Credit Card



### Hire Purchase



### Personal Financing



**Improving collection by securing more M40 customers**

# Key Action: Geographical Expansion

[AEON Credit Service India Private Limited]



- Introduced instant approval mobile app : improve TAT 1-3 min
- Expand new Financing product :Auto Financing, Personal Financing

[AEON Credit Service (Philippines) Inc.]

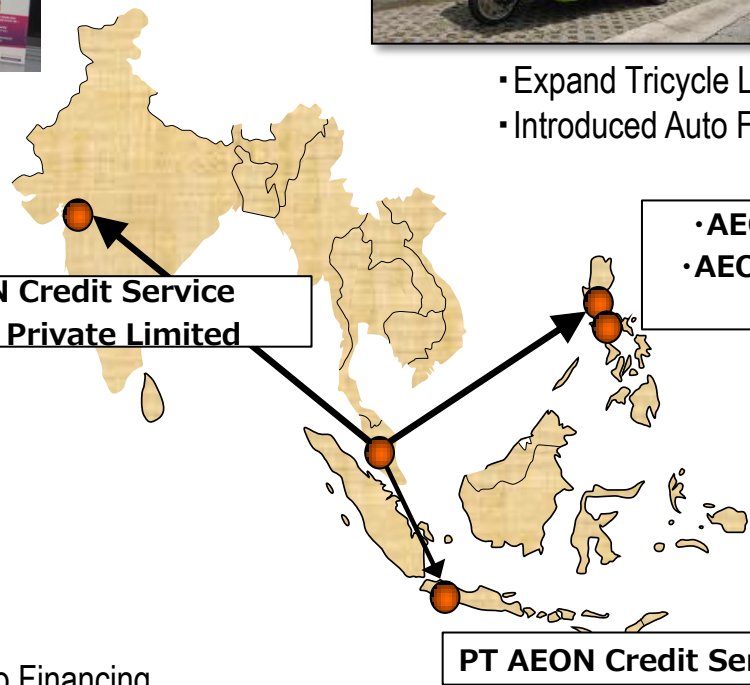


- Expand Tricycle Loan financing,
- Introduced Auto Financing, Personal Financing

[PT AEON Credit Service Indonesia]



- Development new financing product :Auto Financing
- Expand Credit card business with group retail company



**Leveraging on overseas business development**

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>ACSM and DGIR are finalizing the terms of settlement and a Case Management is fixed on <b>25 Mar 2019</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 was fixed on 28 Nov 2018 has been postponed and rescheduled to <b>5 Apr 2019</b>.</li> </ul>

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# Appendices

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(RM'000)	Q3	Q2	Q3	QoQ	YoY	9M	9M	YoY
	FYE18	FYE19	FYE19	(%)	(%)	FYE18	FYE19	(%)
<b>Total Transaction &amp; Financing Volume</b>	995,137	1,304,029	1,484,807	13.9	49.2	3,075,000	3,887,000	26.4
-Credit Card	315,799	378,597	410,949	8.5	30.1	585,676	714,599	22.0
-Easy Payment Financing	475,539	592,628	620,431	4.7	30.5	1,018,460	1,137,201	11.7
-Personal Financing	203,799	332,804	453,427	36.2	122.5	475,173	547,032	15.1
<b>Total Income</b>	343,142	380,414	376,496	-1.0	9.7	1,015,403	1,111,881	9.5
<b>Total Expenses</b>	-190,213	-212,006	-193,899	-8.5	1.9	-551,083	-570,604	3.5
<b>Profit Before Tax</b>	95,307	107,233	118,072	10.1	23.9	292,969	357,068	21.9
<b>Corporate Tax</b>	-24,755	-26,593	-30,936	16.3	25.0	-75,220	-90,057	19.7
<b>Net Profit</b>	70,552	80,640	87,136	8.1	23.5	217,749	267,011	22.6

(RM'000)	Q3FYE18	Q2FYE19	Q3FYE19	QoQ (%)	YoY (%)
<b>Credit Card (CC)</b>	<b>610,653</b>	<b>662,514</b>	<b>701,654</b>	<b>5.9</b>	<b>14.9</b>
-Card Purchase	542,680	596,744	636,963	6.7	17.4
-Cash Advance	67,973	65,770	64,691	-1.6	-4.8
<b>Personal Financing (PF)</b>	<b>1,901,521</b>	<b>2,095,048</b>	<b>2,329,273</b>	<b>11.2</b>	<b>22.5</b>
<b>Objective Financing (OF)</b>	<b>419,192</b>	<b>386,405</b>	<b>360,909</b>	<b>-6.6</b>	<b>-13.9</b>
<b>Motorcycle Financing (MF)</b>	<b>2,048,138</b>	<b>2,243,394</b>	<b>2,420,322</b>	<b>7.9</b>	<b>18.2</b>
-MOPED	1,152,366	1,365,391	1,528,145	11.9	32.6
-Superbike	895,772	878,003	892,177	1.6	-0.4
<b>Auto Financing (AF)</b>	<b>2,159,814</b>	<b>2,344,598</b>	<b>2,436,276</b>	<b>3.9</b>	<b>12.8</b>
<b>SME Financing (SME)</b>	<b>63,884</b>	<b>62,858</b>	<b>64,678</b>	<b>2.9</b>	<b>1.2</b>
<b>Total Financing Receivables</b>	<b>7,203,202</b>	<b>7,794,817</b>	<b>8,313,112</b>	<b>6.6</b>	<b>15.4</b>
<b>Impairment Loss</b>	<b>-168,728</b>	<b>-601,444</b>	<b>-575,661</b>	<b>-4.3</b>	<b>241.2</b>
<b>Other Assets</b>	<b>783,217</b>	<b>779,464</b>	<b>707,067</b>	<b>-9.3</b>	<b>-9.7</b>
<b>Total Assets</b>	<b>7,817,691</b>	<b>7,972,837</b>	<b>8,444,518</b>	<b>5.9</b>	<b>8.0</b>
<b>Total Liabilities</b>	<b>6,044,701</b>	<b>6,304,037</b>	<b>6,848,491</b>	<b>8.6</b>	<b>13.3</b>
<b>Shareholders' Fund</b>	<b>1,772,990</b>	<b>1,668,800</b>	<b>1,596,027</b>	<b>-4.4</b>	<b>-10.0</b>

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

(RM'000)	Q3 FYE18	Q2 FYE19	Q3 FYE19	QoQ (%)	YoY (%)	9M FYE18	9M FYE19	YoY (%)
Credit Card	29,112	28,629	30,392	6.2	4.4	85,483	87,450	2.3
Personal Financing	85,577	97,664	108,848	11.5	27.2	250,106	298,476	19.3
Objective Financing	29,754	25,968	24,298	-6.4	-18.3	90,727	77,738	-14.3
Motorcycle Financing	96,682	103,378	107,882	4.4	11.6	288,451	313,389	8.6
Auto Financing	69,653	74,944	75,757	1.1	8.8	206,453	225,020	9.0
SME Financing	1,567	1,509	1,320	-12.5	-15.8	4,729	4,234	-10.5
<b>Total Revenue</b>	<b>312,345</b>	<b>332,092</b>	<b>348,497</b>	<b>4.9</b>	<b>11.6</b>	<b>925,949</b>	<b>1,006,307</b>	<b>8.7</b>
Other Operating Income	30,797	48,322	27,999	-42.1	-9.1	89,454	105,574	18.0
<b>Total Operating Income</b>	<b>343,142</b>	<b>380,414</b>	<b>376,496</b>	<b>-1.0</b>	<b>9.7</b>	<b>1,015,403</b>	<b>1,111,881</b>	<b>9.5</b>

(RM mil)	Q3	Q2	Q3	QoQ	YoY	9M	9M	YoY
	FYE18	FYE19	FYE19	(%)	(%)	FYE18	FYE19	(%)
- Impairment Loss on Receivables	86.5	95.2	61.5	-35.4	-28.9	253.7	213.8	-15.7
- Personnel Expenses	53.2	58.5	62.7	7.2	17.9	150	169.8	13.2
- Other Operating Expenses	49.7	58.3	69.6	19.4	40.0	146.6	186.9	27.5
<b>Operating Expenses</b>	<b>189.4</b>	<b>212.0</b>	<b>193.8</b>	<b>-8.6</b>	<b>2.3</b>	<b>550.3</b>	<b>570.5</b>	<b>3.7</b>
- Funding Costs	57.6	61.2	64.5	5.4	12.0	171.4	184.2	7.5
- Other Expenses	0.8	0.0	0.1	500.0	-92.5	0.84	0.1	-89.3
<b>Total Expenses</b>	<b>247.8</b>	<b>273.2</b>	<b>258.4</b>	<b>-5.4</b>	<b>4.3</b>	<b>722.5</b>	<b>754.8</b>	<b>4.5</b>

(RM mil)	FYE16	FYE17	FYE18	Q3FYE18	Q3FYE19
PBT	302	351	398	95	118
PAT	228	265	300	71	87
Weighted average no. of ordinary shares (mil unit)	144	248	200(207 <sup>1</sup> )	233 (238 <sup>1</sup> )	250 (254 <sup>1</sup> )
Basic/(Diluted) EPS <sup>1</sup> (RM)	1.49	1.01	1.15/(1.12)	28.74/(28.21)	33.35/(32.62)
NTA per share (RM)	5.45	6.63	6.37	6.04	5.66
ROE* (%)	29.3	28.9	22.6	16.4	22.8
ROA* (%)	4.1	4.0	4.0	3.7	4.4
Capital ratio against receivables <sup>2</sup> (%)	20.2	19.5	25.1	25.2	19.8
Debt-to-Equity Ratio (x)	4.56	4.7	3.0	3.3	4.1
Share Price (RM)	11.92	15.70	13.46	13.60	15.20
PER (x)	8.0	9.0	9.4	16.4	11.09
Market Capitalisation	1,716	2,261	3,344	3,373	3,811

<sup>1</sup> 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

<sup>2</sup> (Total Equity/Receivable) :Total equity excluded ICULS equity, hedging reserve & fair value reserve

## 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>

## Head Office

Level 18, UOA Corporate Tower,  
Avenue 10, The Vertical,  
Bangsar South City,  
No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur.

Website : [www.aeoncredit.com.my](http://www.aeoncredit.com.my)

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# THANK YOU