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# AEON CREDIT SERVICE

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Listing Board

Bursa Malaysia Securities Berhad, Main Market

Stock Name/ Code

AEONCR/ 5139

## Q4/12M FYE19 Results Update

25 April 2019

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# Financial Overview

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“ FYE19 results reflected the effectiveness of our initiatives put forward. We will continue to create value by focusing on quality, digitalisation and efficiency. ”

## Q4 FYE19

Total Transaction & Financing Volume <b>+48.9% YoY</b>	Revenue <b>+16.3% YoY</b>	PAT <b>+6.4% YoY</b>
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## 12M FYE19

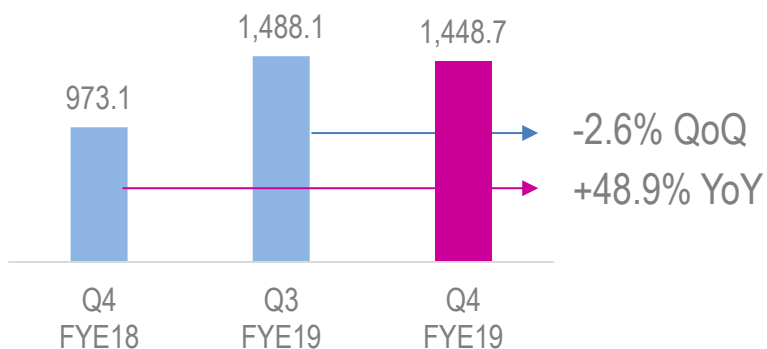
Total Transaction & Financing Volume <b>+31.8% YoY</b>	Revenue <b>+10.6% YoY</b>	PAT <b>+18.2% YoY</b>
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Gross Financing Receivables <b>+18.8% YoY</b>	ROE <b>22.1%</b>	NPL <b>2.04%</b>
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## 6.4% PAT grew YoY from higher transaction volume and receivables growth

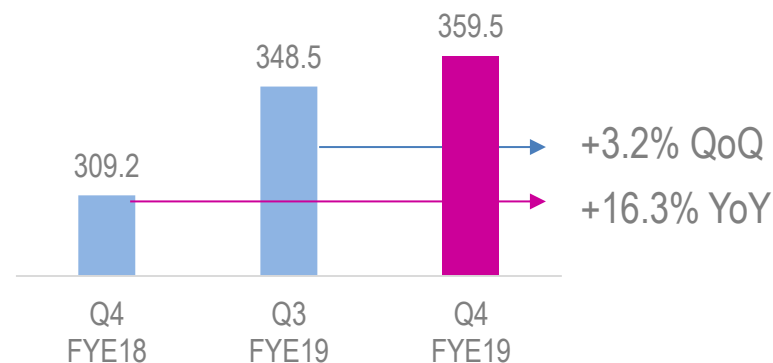
### Total Transaction & Financing Volume

(RM mil)



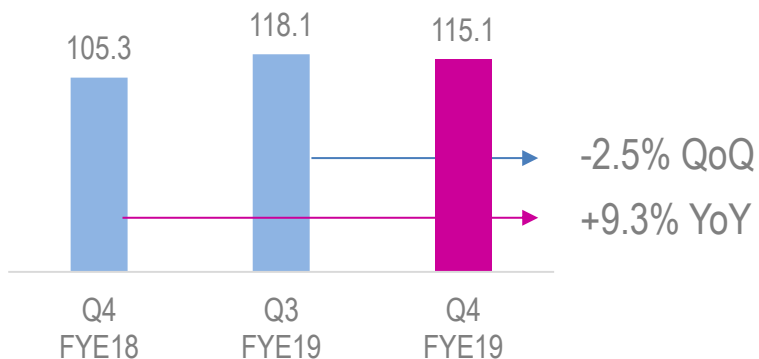
### Revenue

(RM mil)



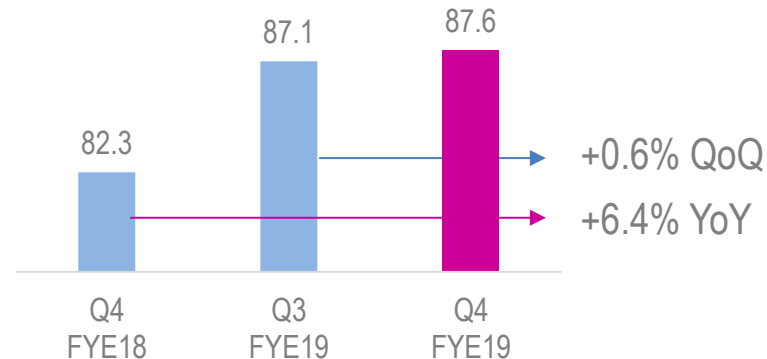
### PBT

(RM mil)



### PAT

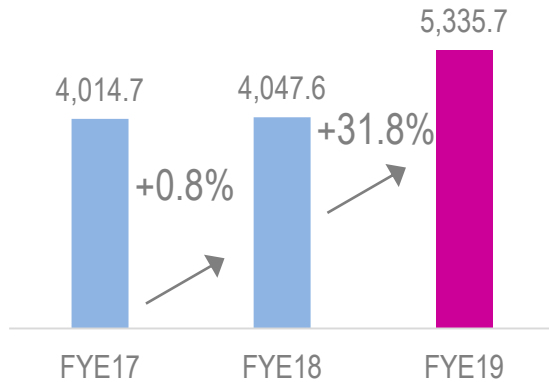
(RM mil)



## Steady YoY growth in top-line and bottom-line

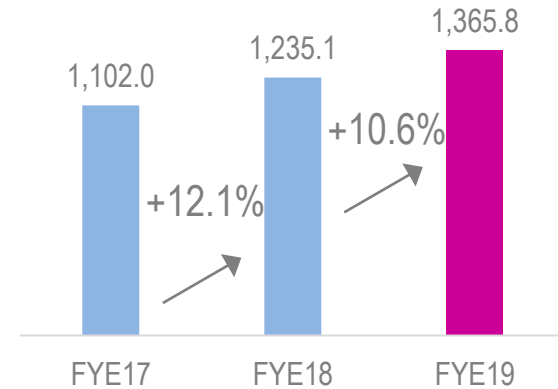
### Total Transaction & Financing Volume

(RM mil)



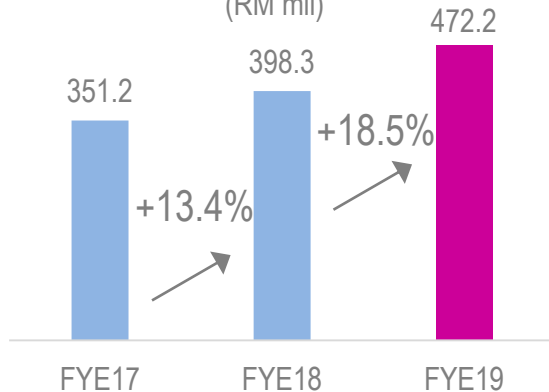
### Revenue

(RM mil)



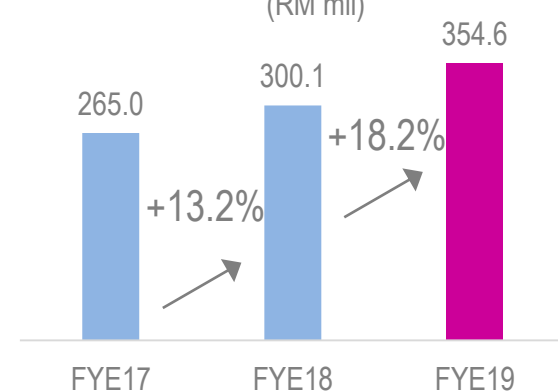
### PBT

(RM mil)



### PAT

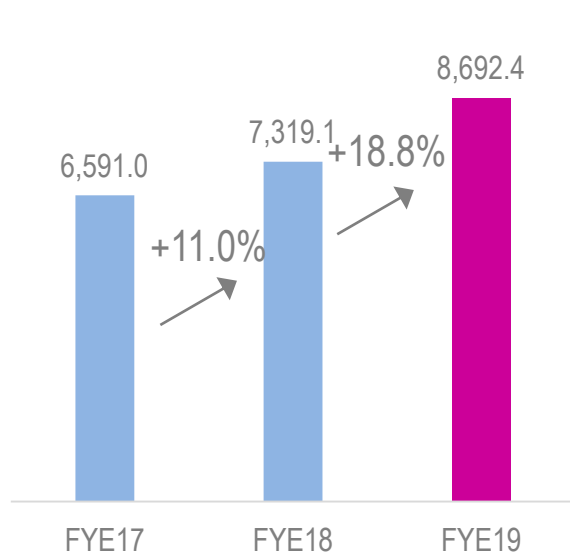
(RM mil)



Healthy with greater financing receivables growth YoY

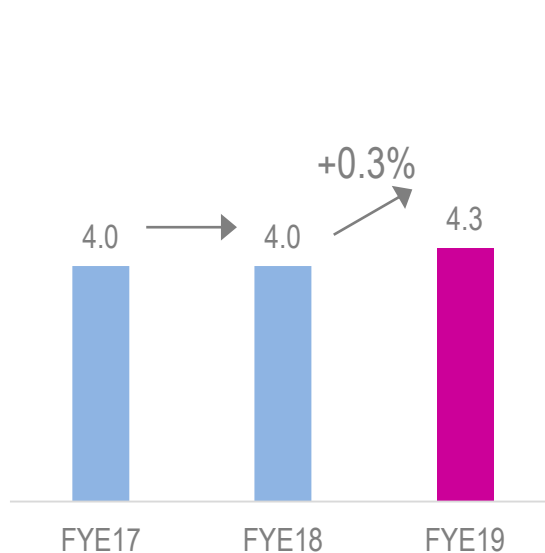
## Gross Financing Receivables

(RM mil)



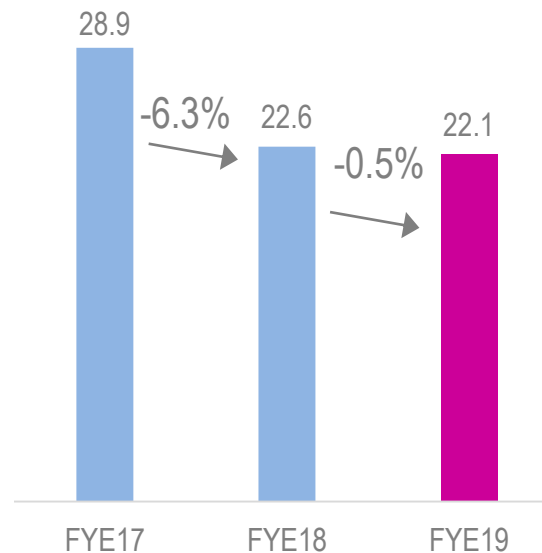
## ROA

(%)



## ROE

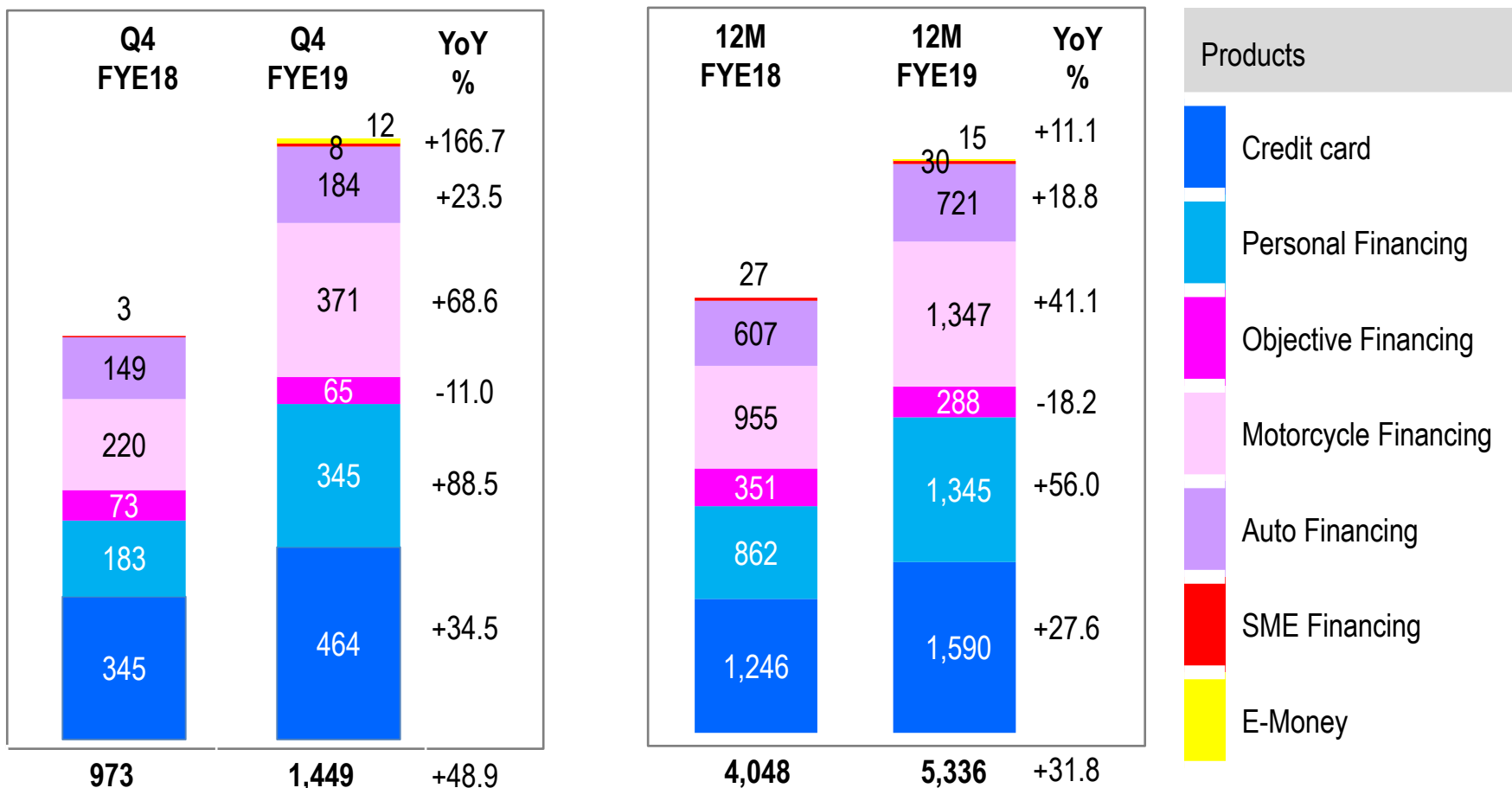
(%)



# Segmental Breakdown: Total Transaction & Financing Volume

Personal Financing and Motorcycle Financing driven volume growth

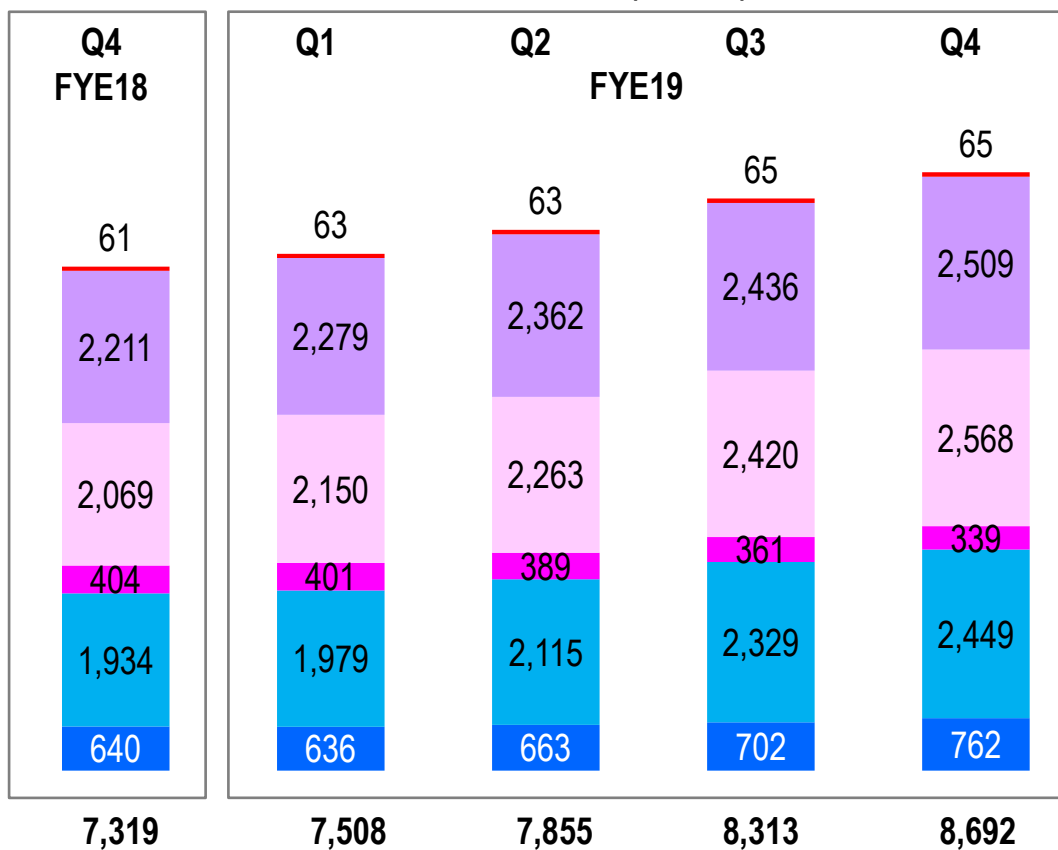
Volume (RM mil)



# Segmental Breakdown: Total Financing Receivables

18.8% growth YoY mainly from Credit Card, Personal & Motorcycle Financing

Gross Receivables (RM mil)



Receivables – Changes (%)	QoQ	YoY
Credit card	+8.6	+19.1
Personal Financing	+5.2	+26.6
Objective Financing	-6.1	-16.1
Motorcycle Financing	+6.1	+24.1
Auto Financing	+3.0	+13.5
SME Financing	-	+6.6
<b>Total</b>	<b>+4.6</b>	<b>+18.8</b>

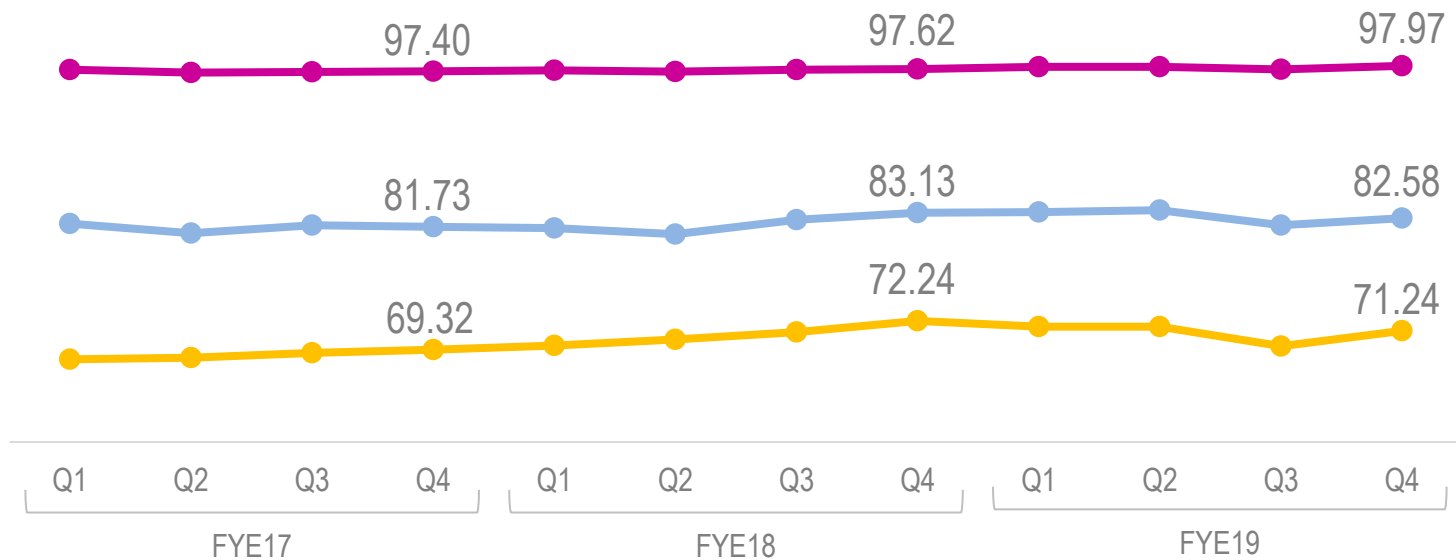
  

Receivables – Portfolio (%)	Q4 FYE19	YoY
Credit card	8.8	+0.1
Personal Financing	28.2	+1.8
Objective Financing	3.9	-1.6
Motorcycle Financing	29.5	+1.3
Auto Financing	28.9	-1.3
SME Financing	0.7	-0.1
<b>Total</b>	<b>100.0</b>	<b>-</b>

## Stable collection ratio

Derived from better quality receivables & strategic collection operation

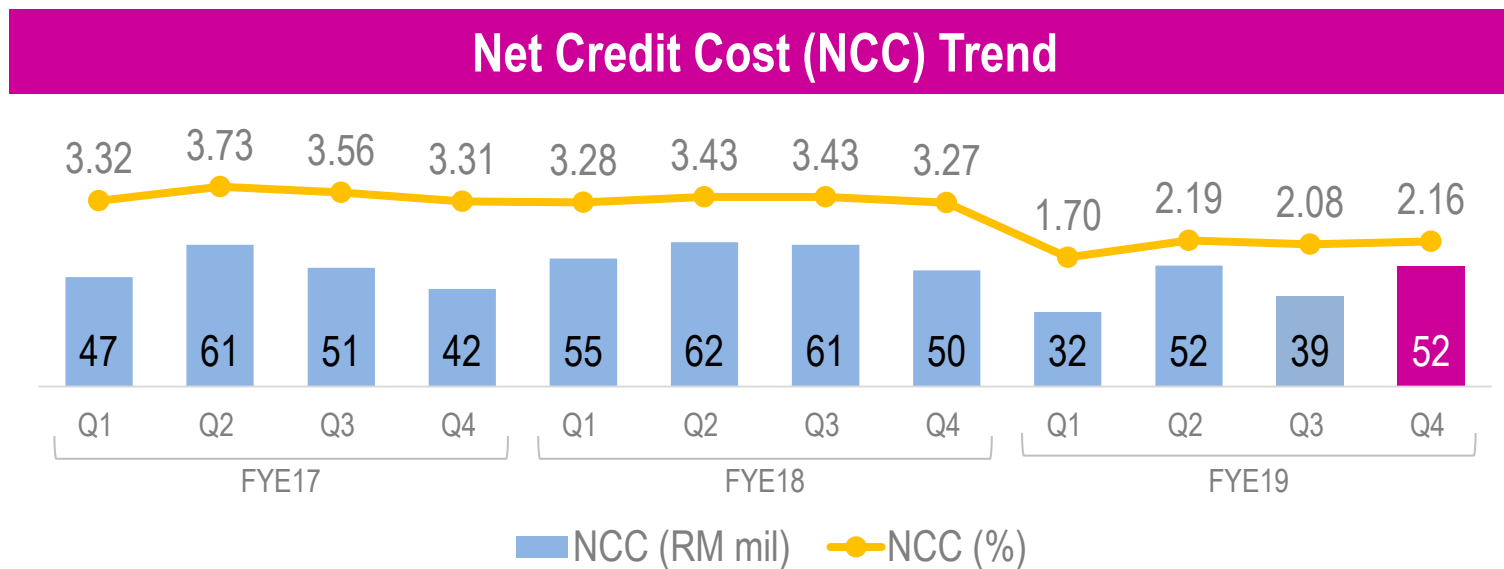
### Receivables Collection Trend



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

## Well-managed credit cost

By better quality receivables and higher bad debt recovery

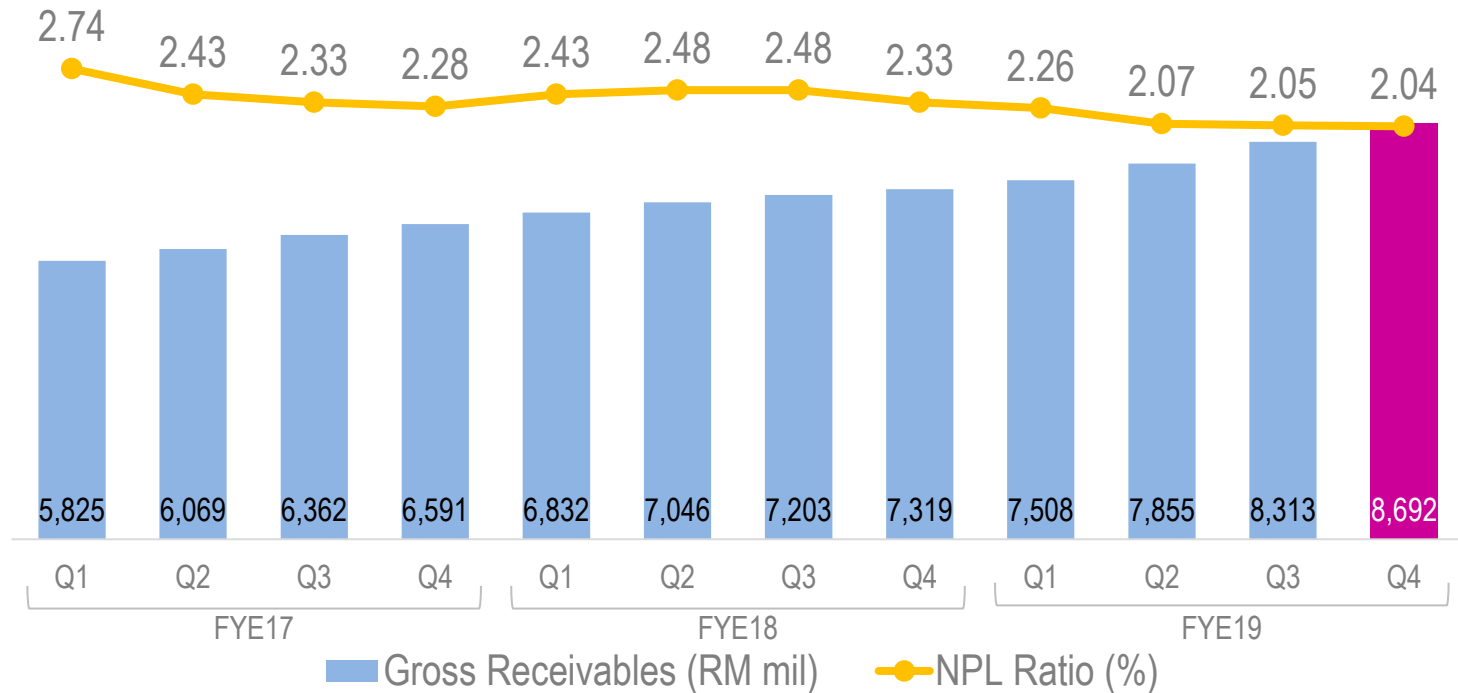


(RM mil)	Q1 FYE17	Q2 FYE17	Q3 FYE17	Q4 FYE17	Q1 FYE18	Q2 FYE18	Q3 FYE18	Q4 FYE18	Q1 FYE19	Q2 FYE19	Q3 FYE19	Q4 FYE19
Total Impairment Loss	71	82	75	77	83	85	87	82	*57	95	62	95
(-) Bad Debt Recovered	24	21	24	35	28	23	26	32	25	43	23	43
<b>NCC</b>	47	61	51	42	55	62	61	50	32	52	39	52

\* Decrease in Impairment Loss in Q1 FYE19 due to MFRS 9 adoption with effect from 1 March 2019

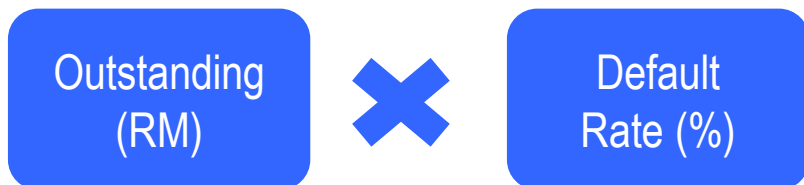
**Achieved lower NPL  
due to delinquent receivables collection improvement**

## Non-performing Loans (NPL) Trend

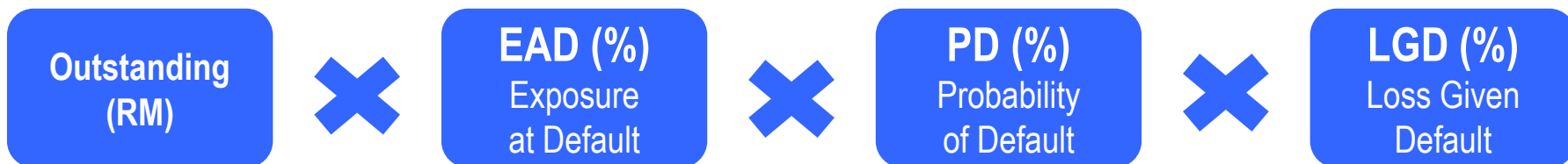


Manage each element to improve credit cost

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



**MFRS 9 : Expected Credit Loss Model**

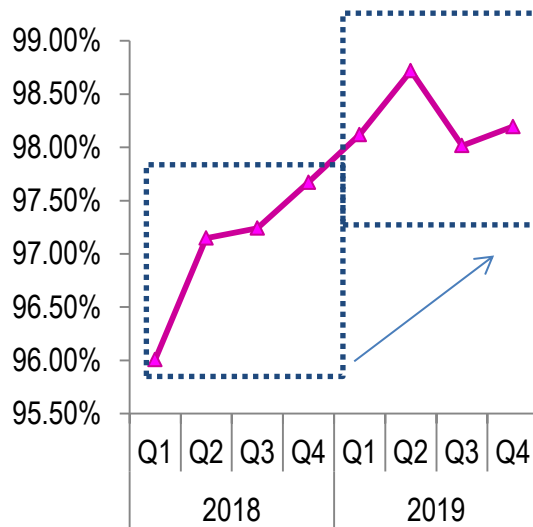


**【Key Action for Credit Management】**

New Receivables	EAD	PD	LGD
Continually accumulate quality receivables by increasing 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>
<p style="text-align: center;"><b>EAD/PD</b></p> Review product scheme (tenure and pricing) based on customer's risk profile			

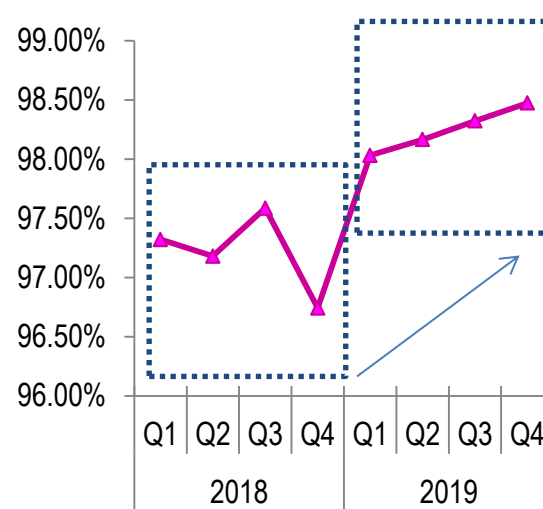
## New Sales Collection Ratio

### Credit Card



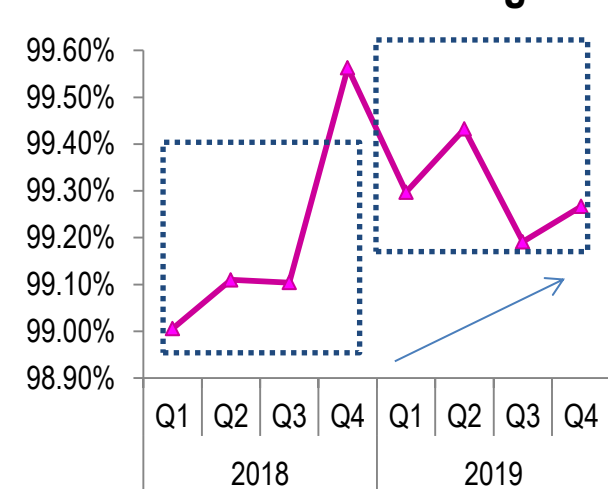
	FYE2018	FYE2019
Q3	97.15%	98.02%
Q4	97.67%	98.20%
YTD	97.02%	98.26%

### Hire Purchase



	FYE2018	FYE2019
Q3	97.59%	98.32%
Q4	96.74%	98.47%
YTD	97.21%	98.25%

### Personal Financing



	FYE2018	FYE2019
Q3	99.10%	99.19%
Q4	99.56%	99.27%
YTD	99.20%	99.30%

No	Item	Remark	Status
i.	Filed a Notice of Appeal (Form Q) on 5 Jan 2018 to Special Commissioners of Income Tax (SCIT)	<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>Today, hearing date has yet to be fixed.</li> </ul>
ii.	Judicial Review – Leave application <i>(Seek permission to commence judicial review)</i>	<ul style="list-style-type: none"> <li>Kuala Lumpur High Court dismissed the application on 5 Mar 2018</li> <li>The Company filed the Notice of Appeal on 5 Mar 2018 at Court of Appeal</li> </ul>	<ul style="list-style-type: none"> <li>The appeal is fixed for hearing on 1 Jul 2019.</li> </ul>
iii.	Judicial Review – Stay application <i>(Asking court to suspend DGIR's decision)</i>	<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>On 5 Apr 2019, the Court of Appeal did not grant the Company's appeal against the High Court's decision of 8 May 2018.</li> <li>The Company will proceed with its appeal to the Court of Appeal on leave for judicial review.</li> </ul>

## Consistent dividend commitment

Dividend	FYE16 RM	FYE17 RM	FYE18 RM	FYE19 RM
Interim dividend (cent)	29.85	30.50	21.13	22.25
Payout amount (RM'000)	42,984	43,920	52,225	55,784
Final dividend (cent)*	29.60	32.50	20.00	22.35
Payout amount (RM'000)*	42,624	46,800	49,937	56,063
<b>Total dividend (cent)</b>	<b>59.50</b>	<b>63.00</b>	<b>41.13</b>	<b>44.60</b>
Total payout amount (RM'000)	85,608	90,720	102,162	111,847
Dividend Payout Ratio (%)	37.5%	34.2%	34.0%	31.5%

\* Subject to the approval of shareholders at the forthcoming Annual General Meeting

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# Key Policy Overview

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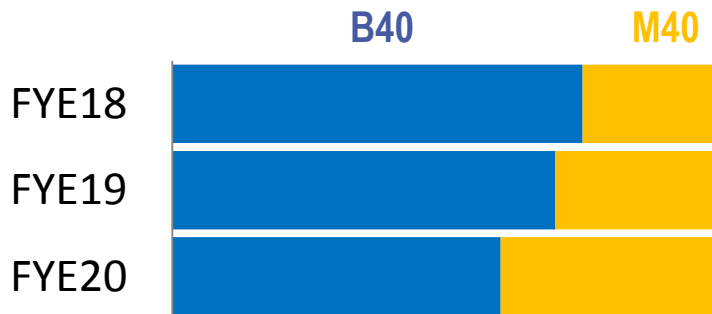
	FYE19	FYE20	
<p>Customer</p>	<ul style="list-style-type: none"> <li>Customer segment expansion</li> <li>AEON customer integration</li> </ul>	<ul style="list-style-type: none"> <li>Continue M40 customer expansion</li> <li>AEON Ecosystem integration</li> </ul>	<p><b>Asset Quality</b></p> <p><b>AEON Ecosystem</b></p>
<p>Product</p>	<ul style="list-style-type: none"> <li>E-wallet and E-money introduction</li> <li>Customised M40 products</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening transaction settlement functions</li> <li>Offerings diversification</li> </ul>	<p><b>Diversification</b></p>
<p>Business Model</p>	<ul style="list-style-type: none"> <li>B2C2B scheme development</li> <li>Mobile operation</li> </ul>	<ul style="list-style-type: none"> <li>B2C2B transformation</li> <li>Touchpoint digitalisation</li> </ul>	<p><b>Customer Contact Improvement</b></p>
<p>Operation</p>	<ul style="list-style-type: none"> <li>Launch new operation system :Multiple due date :New Assessment system</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing digitalization</li> <li>AI, robotics and instant processing</li> </ul>	<p><b>Productivity Efficiency</b></p>

## Continue M40 customer expansion

To achieve better asset quality via customised offerings

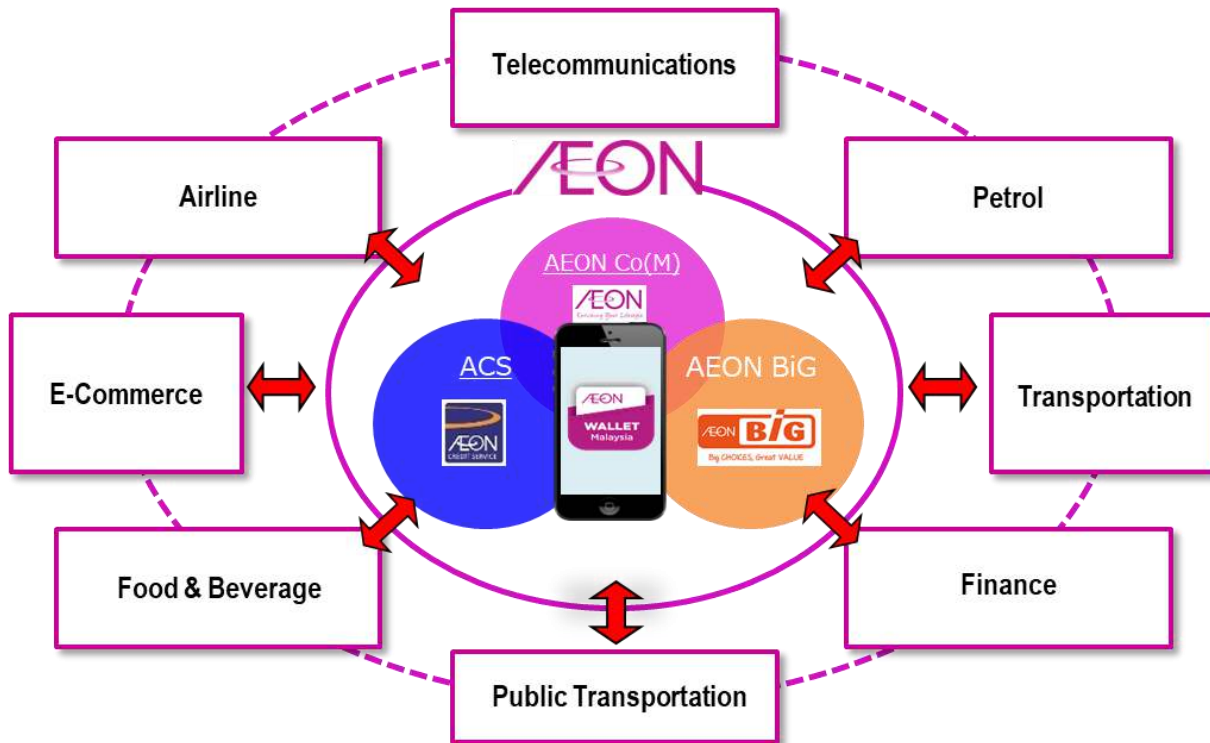
E.g.: platinum card and risk-based pricing products (launched in FYE19)

【Customer Income Group Ratio】



## AEON ecosystem integration

To tap into the existing 6 million AEON Group members & integrating across AEON business alliances



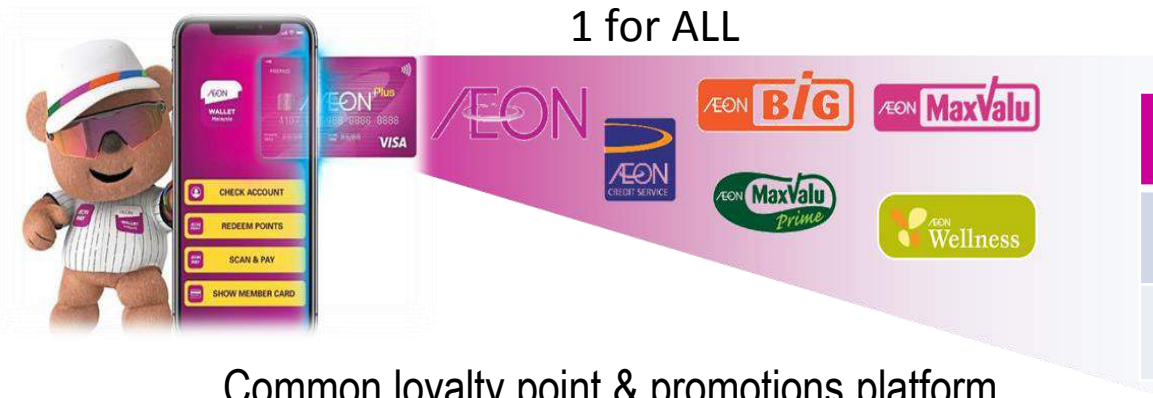
### FYE2020 Key Action

1. AEON Loyalty Point program for tenants with AEON group
2. Expand external privilege merchant e.g. E-commerce, F&B etc
3. Develop business alliance

## Strengthening transaction settlement functions

### AEON E-wallet + Member Plus Visa Card

To create a common platform for all AEON members and the cashless solution has been implemented at all AEON retail outlets nationwide (launched in FYE19)



Common loyalty point & promotions platform

E-Money & E-Wallet	FYE2019	FYE2020 Target
AEON Member Plus cardholders	0.50mil	1.60mil
AEON E-Wallet application users	0.15mil	1.00mil



## Corporate Card

To capture more corporate customers by introducing new credit settlement method

(Cont'd)

Develop new product scheme to meet a variety of customers needs

## Objective Financing

From Consumer Durable Products to other purposes, e.g.: healthcare, wedding, renovation, etc.

## SME Financing

<b>Existing</b>		<b>Money lending licence</b>	
↓	+	↓	
<b>Equipment hire purchase</b>		<b>Working capital</b>	

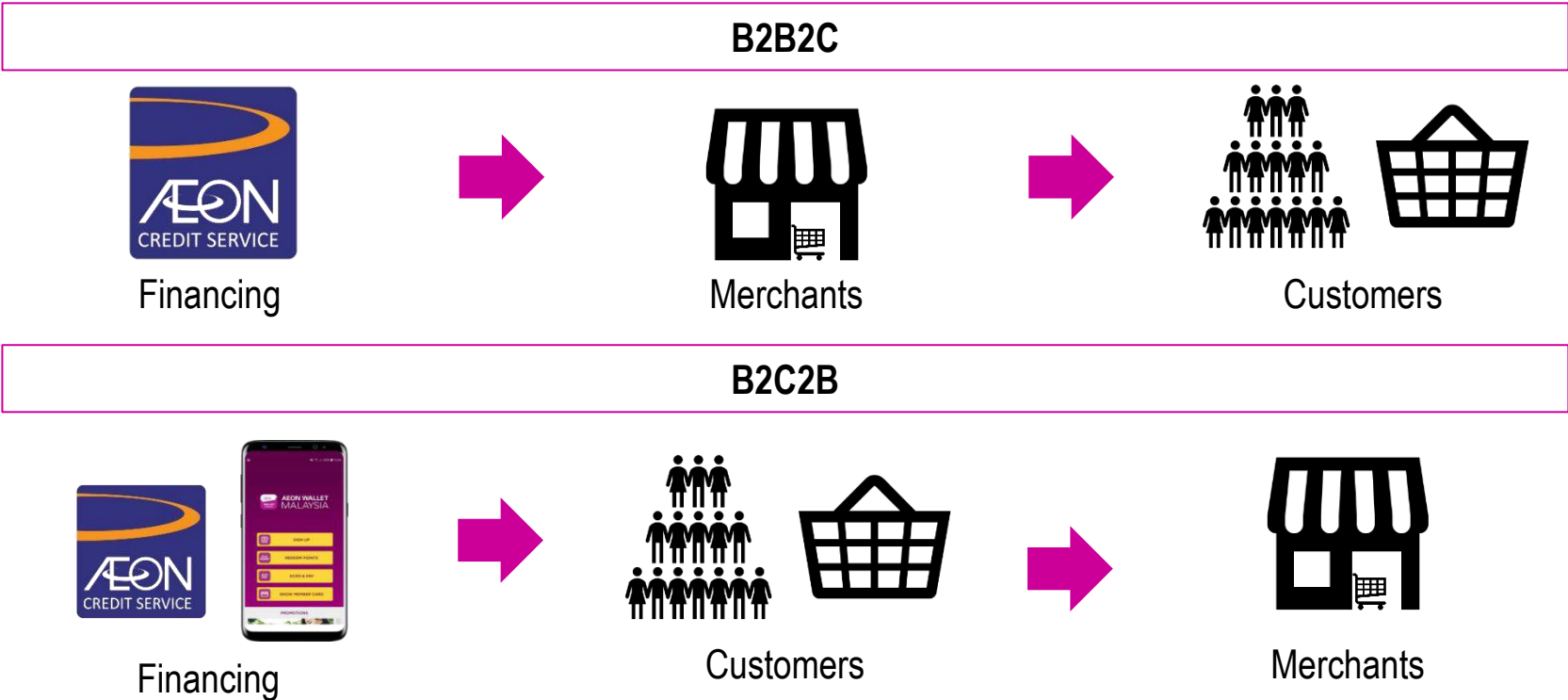
## Cross Selling

Personal Financing x <b>AEON Member Plus Card</b>	SME Financing x <b>Insurance</b>
Motorcycle Financing x <b>Extended Warranty</b>	Corporate Card x <b>Insurance</b>
Acquiring x <b>Loyalty Point Program</b>	SME Financing x <b>Corporate Card</b>

# Business Model: Continue Customer Contact Improvement

## 2-Way customer touchpoints

Multiple channels to capture more customers



New system and mobile app are developing for B2C2B feature. It will enable direct dealing with customers, in which the financing limit can be known before they go to merchants – improve customer experiences as well as sales

# AEON Operation: Productivity & Efficiency Improvement

To improve efficiency and productivity through Artificial Intelligence (AI) data analytics, robotic process automation (RPA) and mobile application

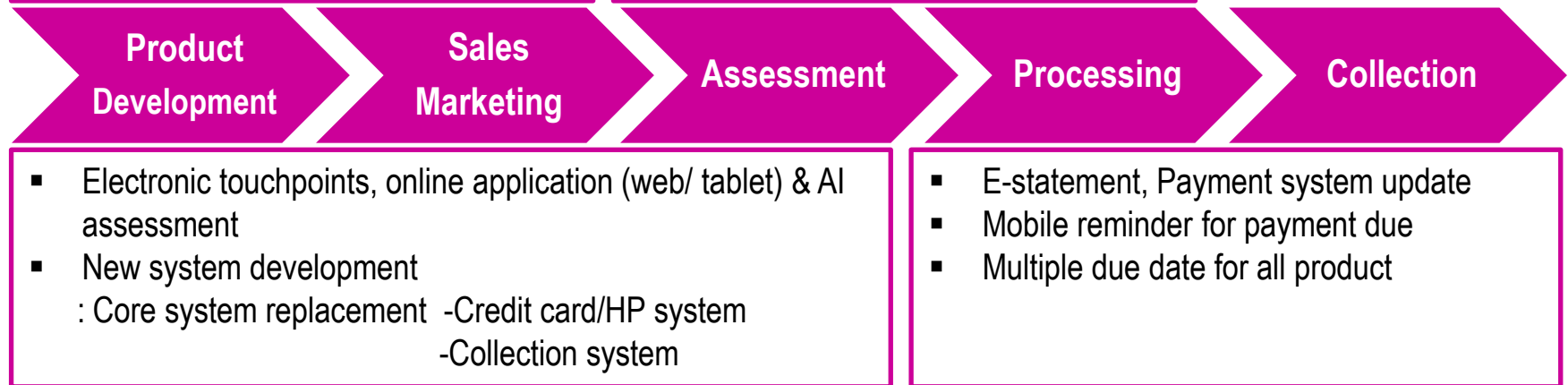
✓ Shortening the whole process turnaround time

✓ Flattening the peak operating hours

✓ Promoting paperless operation for all process

- Online product offerings
- In-app advertising
- One-to-one promotion via e-wallet
- E-Voucher / E-Coupon

- RPA
- Paperless back office
- E-sales disbursement



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# Appendices

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Sector	<b>Financial Services</b>	Market Capital	<b>RM4.15 bil (as at 28 Feb 19)</b>
Share Price	<b>RM16.54 (as at 28 Feb 19)</b>	FYE	<b>Feb 19</b>
52-Week High/ Low	<b>RM17.14 / RM12.12</b>		
Irredeemable Convertible Unsecured Loan Stock (ICULS) Issued	<b>432,000,000 units @ RM1.00 each (15 Sep 17)</b>	Balance of Unconverted ICULS	<b>49,104,674 units (11.4%) (As at 28 Feb 19)</b>
		ICULS 52-Week High/ Low	<b>RM1.63 / RM1.09</b>

# Performance Highlights Yearly

(RM'000)	FYE16	FYE17	FYE18	FYE19	YoY (%)
Total Transaction & Financing Volume	3,615,989	4,014,688	4,047,611	5,335,718	31.8
Total Income	1,055,208	1,222,192	1,361,606	1,519,550	11.6
Operating Expenses	(590,387)	(670,983)	(735,960)	(794,479)	8.0
Finance Cost	(163,230)	(200,047)	(227,311)	(252,880)	11.2
Profit Before Tax	301,591	351,162	398,335	472,191	18.5
Taxation	(73,369)	(86,135)	(98,278)	(117,567)	19.6
<b>Net Profit</b>	<b>228,222</b>	<b>265,027</b>	<b>300,057</b>	<b>354,624</b>	<b>18.2</b>

# Performance Highlights Quarterly

(RM'000)	Q4 FYE18	Q3 FYE19	Q4 FYE19	QoQ (%)	YoY (%)
<b>Total Transaction &amp; Financing Volume</b>	973,094	1,488,116	1,448,714	(2.6)	48.9
-Credit Card	344,833	410,949	464,408	13.0	34.7
-Easy Payment Financing	444,942	620,431	627,953	1.2	41.1
-Personal Financing	183,310	453,427	344,851	(23.9)	88.1
-E-Money	-	3,309	11,502	-	-
<b>Total Income</b>	347,924	376,496	407,669	8.3	17.2
<b>Operating Expenses</b>	(184,877)	(193,899)	(223,875)	15.5	21.1
<b>Finance Cost</b>	(57,681)	(64,525)	(68,671)	6.4	19.1
<b>Profit Before Tax</b>	105,366	118,072	115,123	(2.5)	9.3
<b>Taxation</b>	(23,058)	(30,936)	(27,510)	(11.1)	19.3
<b>Net Profit</b>	82,308	87,136	87,613	0.5	6.4

(RM'000)	Q4 FYE18	Q3 FYE19	Q4 FYE19	QoQ (%)	YoY (%)	FYE 18	FYE 19	YoY (%)
Credit Card	29,917	30,392	31,817	4.7	6.4	115,400	119,267	3.4
Personal Financing	83,580	108,848	114,596	5.3	37.1	333,687	413,073	23.8
Objective Financing	28,009	24,298	22,482	(7.5)	(19.7)	118,736	100,219	(15.6)
Motorcycle Financing	96,007	107,882	112,300	4.1	17.0	384,458	425,689	10.7
Auto Financing	70,123	75,757	76,956	1.6	9.7	276,577	301,977	9.2
SME Financing	1,537	1,320	1,385	4.9	(9.9)	6,264	5,618	(10.3)
<b>Total Revenue</b>	<b>309,173</b>	<b>348,497</b>	<b>359,536</b>	<b>3.2</b>	<b>16.3</b>	<b>1,235,122</b>	<b>1,365,843</b>	<b>10.6</b>
Other Operating Income*	38,751	27,999	48,133	71.9	24.2	126,484	153,707	22.2
<b>Total Operating Income</b>	<b>347,924</b>	<b>376,496</b>	<b>407,669</b>	<b>8.3</b>	<b>17.2</b>	<b>1,361,606</b>	<b>1,519,550</b>	<b>11.6</b>

\* Including E Money revenue

(RM mil)	Q4 FYE18	Q3 FYE19	Q4 FYE19	QoQ (%)	YoY (%)	FYE 18	FYE 19	YoY (%)
- Impairment Loss on Receivables	82.2	61.5	94.5	53.7	15.0	336.0	308.4	(8.2)
- Personnel Expenses	49.0	62.7	54.2	(13.6)	10.6	199.0	224.0	12.6
- Other Operating Expenses	53.6	69.7	75.2	7.9	40.3	201.0	262.1	30.4
<b>Operating Expenses</b>	<b>184.8</b>	<b>193.9</b>	<b>223.9</b>	<b>15.5</b>	<b>21.1</b>	<b>736.0</b>	<b>794.5</b>	<b>8.0</b>
- Funding Costs	57.7	64.5	68.7	6.5	19.1	227.3	252.9	11.2
<b>Total Expenses</b>	<b>242.5</b>	<b>258.4</b>	<b>292.6</b>	<b>13.2</b>	<b>20.7</b>	<b>963.3</b>	<b>1,047.4</b>	<b>8.7</b>

# Financial Summary

## Quarterly

(RM'000)	Q4FYE18	Q3FYE19	Q4FYE19	QoQ (%)	YoY (%)
<b>Credit Card</b>	639,890	701,654	761,591	8.6	19.0
-Card Purchase	572,583	636,963	697,899	9.6	21.9
-Cash Advance	67,307	64,691	63,692	(1.5)	(5.4)
<b>Personal Financing</b>	1,933,725	2,329,273	2,448,723	5.1	26.6
<b>Objective Financing</b>	404,032	360,909	339,440	(5.9)	(16.0)
<b>Motorcycle Financing</b>	2,069,204	2,420,322	2,568,395	6.1	24.1
-MOPED	1,190,356	1,528,145	1,686,659	10.4	41.7
-Superbike	878,848	892,177	881,736	(1.2)	0.3
<b>Auto Financing</b>	2,210,866	2,436,276	2,509,099	3.0	13.5
<b>SME Financing</b>	61,413	64,678	65,115	0.7	6.0
<b>Total Financing Receivables</b>	<b>7,319,130</b>	<b>8,313,112</b>	<b>8,692,363</b>	<b>4.6</b>	<b>18.8</b>
<b>Impairment Loss</b>	(162,831)	(575,661)	(586,583)	1.9	260.2
<b>Other Assets</b>	549,386	707,067	549,974	(22.2)	0.1
<b>Total Assets</b>	7,705,685	8,444,518	8,655,754	2.5	12.3
<b>Total Liabilities</b>	5,848,182	6,848,491	6,780,773	(1.0)	15.9
<b>Shareholders' Fund</b>	1,857,503	1,596,027	1,874,981	17.5	0.9

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

(RM mil)	FYE16	FYE17	FYE18	FYE19	YoY	Q4FYE18	Q4FYE19	YoY
PBT	301.59	351.16	398.34	472.19	+73.85	105.37	115.12	+9.75
PAT	228.22	265.03	300.06	354.62	+54.56	82.31	87.61	+5.30
Weighted average no. of ordinary shares (mil unit)	144.00	248.45	205.72	255.31	+49.59	205.72	255.31	+49.59
Basic/(Diluted) EPS <sup>1</sup> (RM)	1.49	1.01	1.39	1.34	(0.05)	0.38	0.33	(0.05)
NTA per share (RM)	5.45	6.63	6.37	5.98	(0.39)	6.37	5.98	(0.39)
ROE* (%)	29.31	28.89	22.59	22.14	(0.45)	22.59	22.14	(0.45)
ROA* (%)	4.14	3.96	4.01	4.34	+0.33	4.01	4.34	+0.33
Capital ratio against receivables <sup>2</sup> (%)	20.23	19.54	25.14	22.39	(2.75)	25.14	22.39	(2.75)
Debt-to-Equity Ratio (x)	4.56	4.71	2.95	3.38	+0.43	2.95	3.38	+0.43
Share Price (RM)	11.92	15.70	13.46	16.54	+3.08	13.46	16.54	+3.08
PER (x)	8.00	8.99	9.41	11.90	+2.49	9.41	11.90	+2.49
Market Capitalisation	1,716	2,261	3,344	4,149	+805	3,344	4,149	+805

<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

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# THANK YOU