



AEON CREDIT SERVICE

Listing Board

Bursa Malaysia Securities Berhad, Main Market

Stock Name/ Code

AEONCR/ 5139

Q3 / 9M FYE20 Results Update

19 Dec 2019

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Financial Overview

Slide no. 4

Key Strategic Focus

Slide no. 15

New accounting standard – MFRS 9 (Expected Credit Loss Model)

MFRS 9 replaces MFRS 139 and revises the accounting guidance for classification and measurement of financial assets, impairment and hedge accounting. AEON Credit started the MFRS 9 adoption since FYE19. Benefiting from higher-than-required loan impairment provisions prior to the adoption, positive reversal impact was recorded during the early adoption in last financial year. Yet, a clearer impact on loan loss provisions and potential volatility following the change of this accounting standard shall be seen in FYE20. The Company is currently reviewing the reporting model under MFRS 9 in order to better reflecting the results of our business operation.

Financial Overview

		9M FYE19	9M FYE20	YoY Change
Profitability	PAT	RM267.0M	RM203.7M	-23.7%
	PAT (prior to IL provision)	RM589.0M	RM636.8M	+8.1%
	ROE*	22.8%	17.3%	-5.5%
	ROE* (prior to IL provision)	37.4%	41.4%	+4.0%
Asset Quality	Transaction & Financing Volume	RM3.8B	RM4.7B	+24.6%
	Gross Financing Receivables	RM8.3B	RM10.0B	+20.7%
	Loan Loss Coverage Ratio	338%	363%	+25.0%
	Non-Performing Loan	2.05%	1.93%	-0.12%
	Net Credit Cost	2.08%	3.91%	+1.83%
Liquidity	Capital Adequacy Ratio	19.8%	20.2%	+0.4%
Sustainability	FTSE4GOOD	Inclusion since Dec 2015		

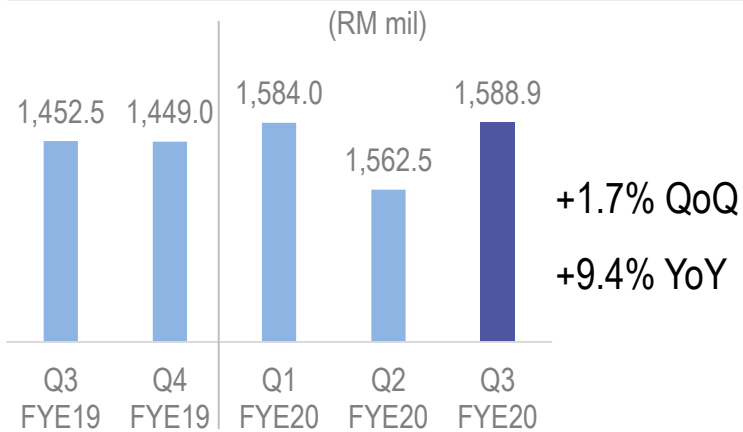


FTSE4Good

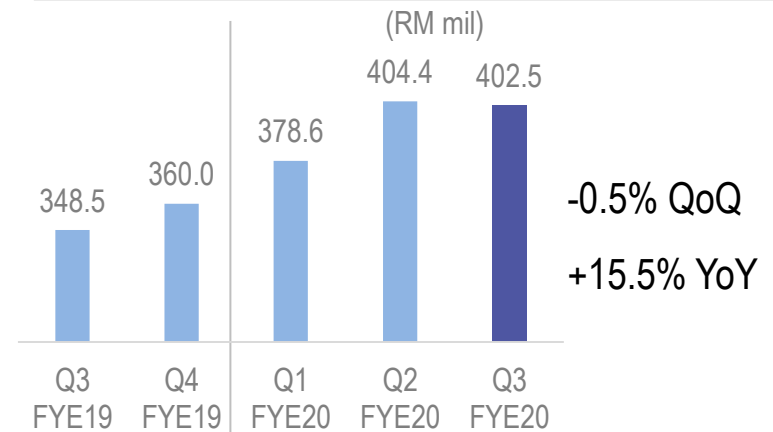
IL: Impairment Loss
* Annualised

Uptrend revenue moved in tandem with positive sales growth

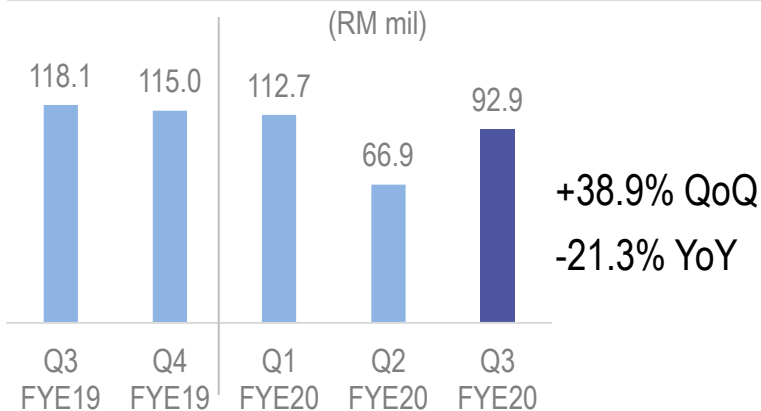
Total Transaction & Financing Volume



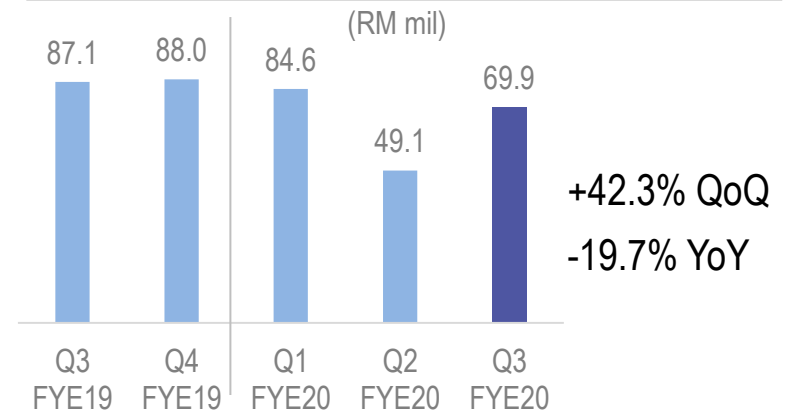
Revenue



PBT

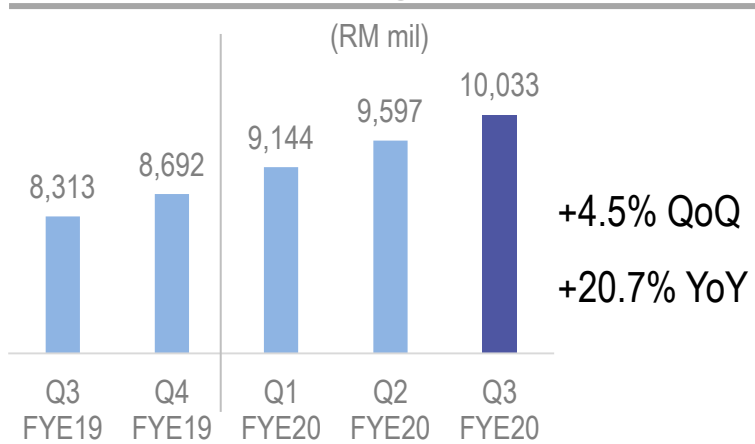


PAT

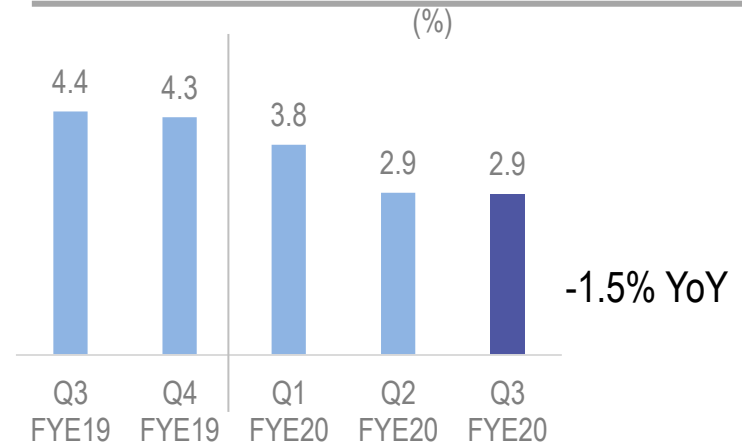


Supporting by healthy financing receivables growth

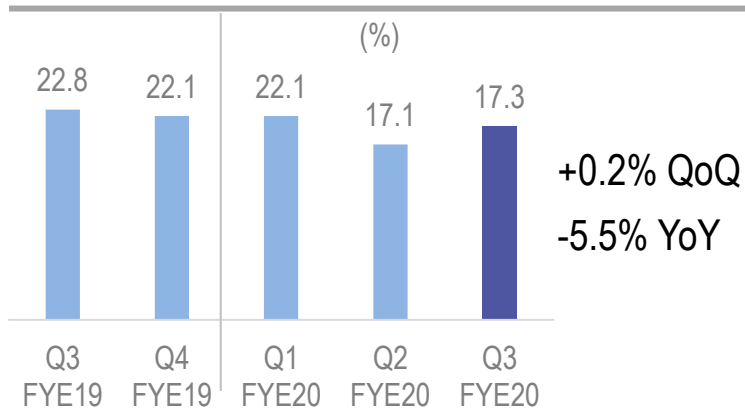
Gross Financing Receivables



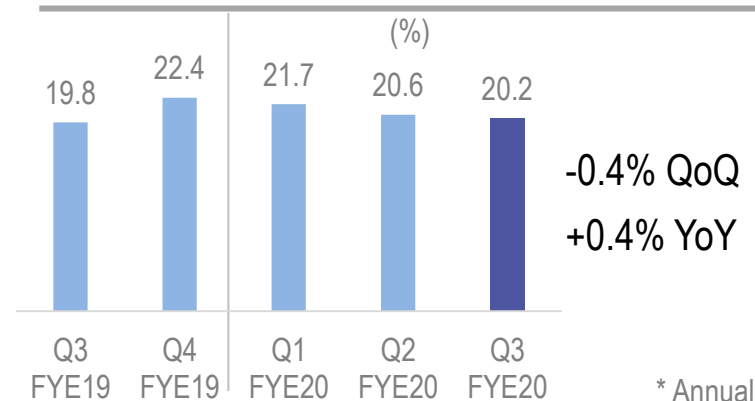
ROA*



ROE*



CAR

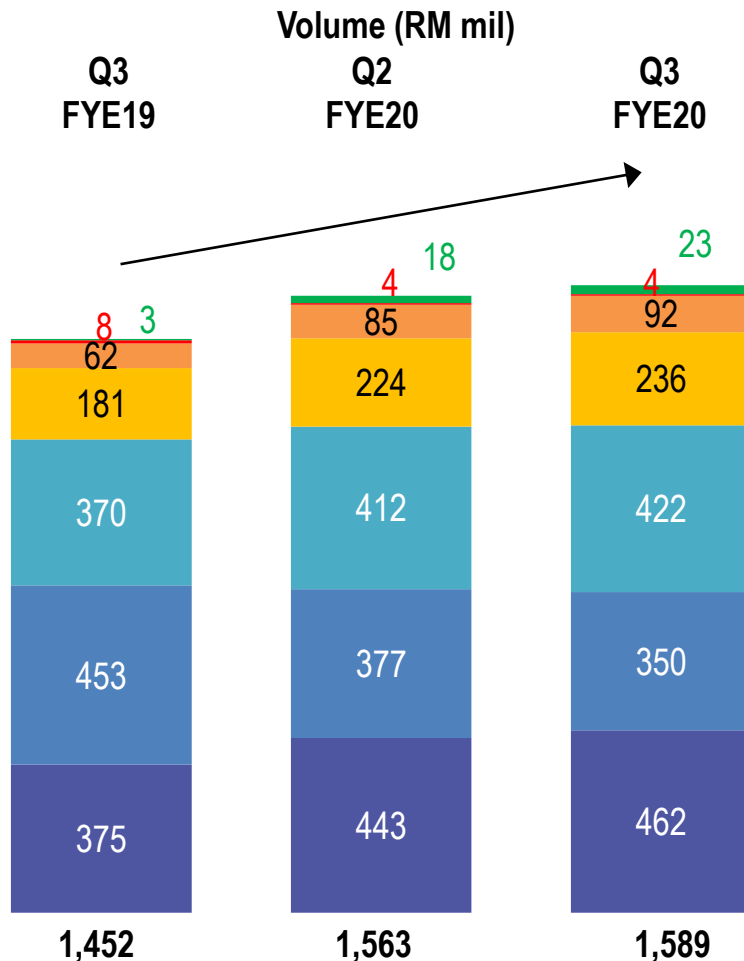


* Annualised

AEON Total Transaction & Financing Volume

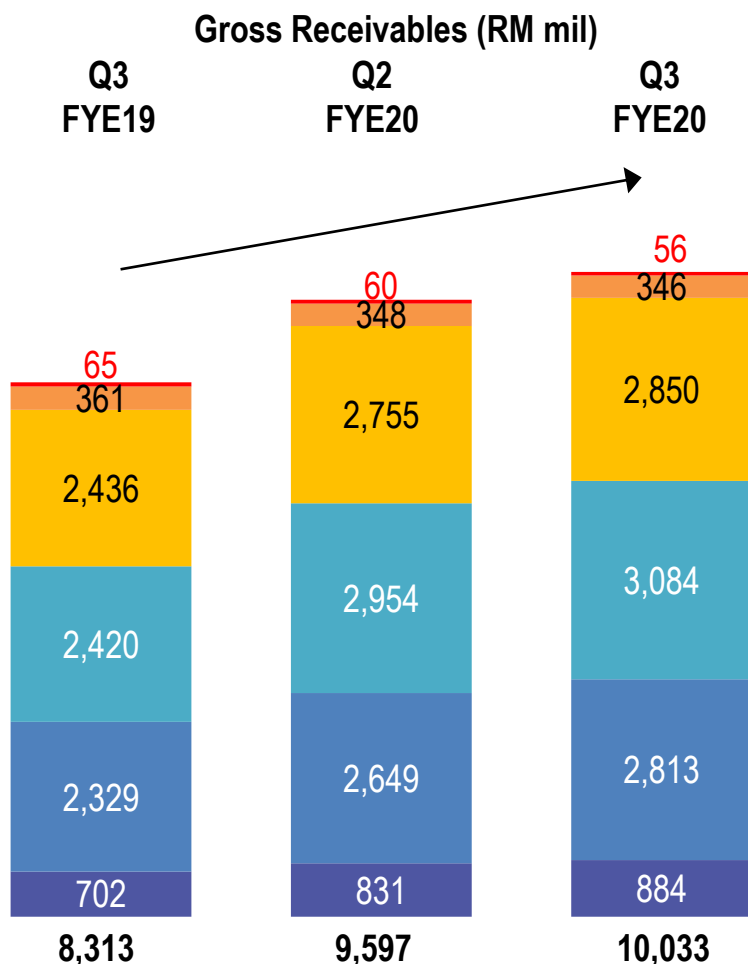


Resilient growth shown in Objective Financing & E-Money



Products	QoQ (%)	YoY (%)
Credit Card	+4.3	+23.2
Personal Financing	-7.2	-22.7
Motorcycle Financing	+2.4	+14.1
Auto Financing	+5.4	+30.4
Objective Financing	+8.2	+48.4
SME Financing	-	-50.0
E-Money	+27.8	+666.7
Total	+1.7	+9.4

Continuous growth under the challenging environment

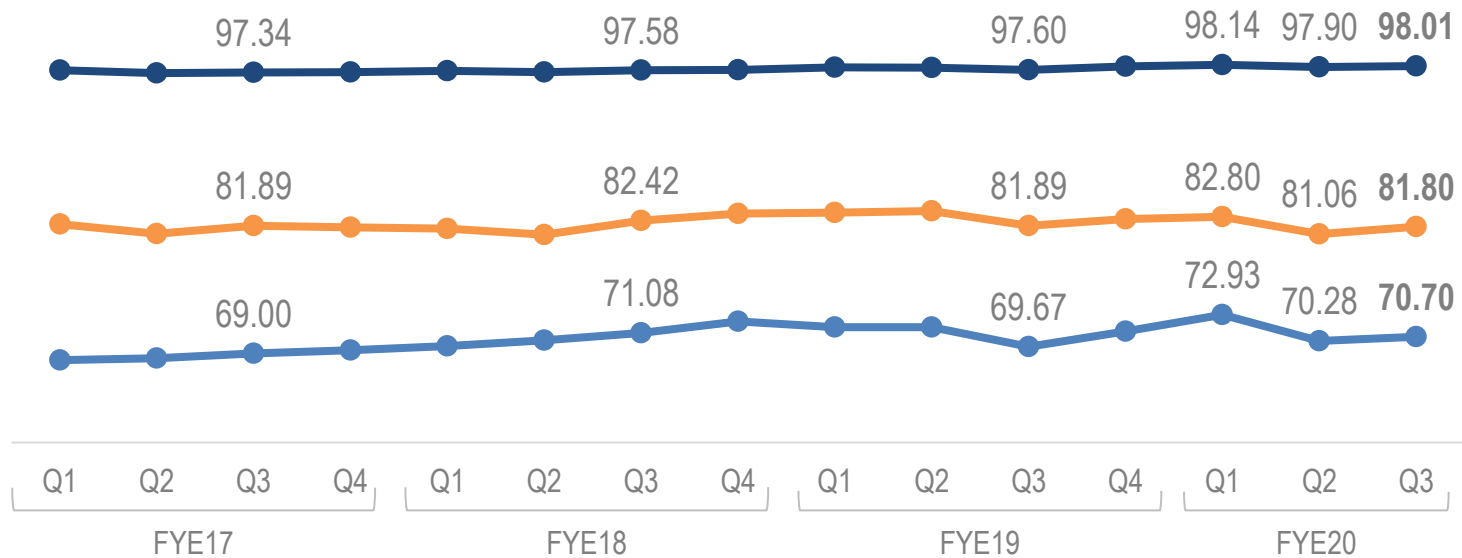


Receivables Movement (%)	QoQ	YoY
Credit Card	+6.3	+25.9
Personal Financing	+6.2	+20.8
Motorcycle Financing	+4.4	+27.4
Auto Financing	+3.4	+17.0
Objective Financing	-0.6	-4.2
SME Financing	-6.7	-13.8
Total	+4.5	+20.7

Receivables Breakdown (%)	Q3 FYE20	YoY
Credit Card	8.8	+0.4
Personal Financing	28.0	-
Motorcycle Financing	30.7	+1.6
Auto Financing	28.4	-0.9
Objective Financing	3.5	-0.9
SME Financing	0.6	-0.2
Total	100.0	-

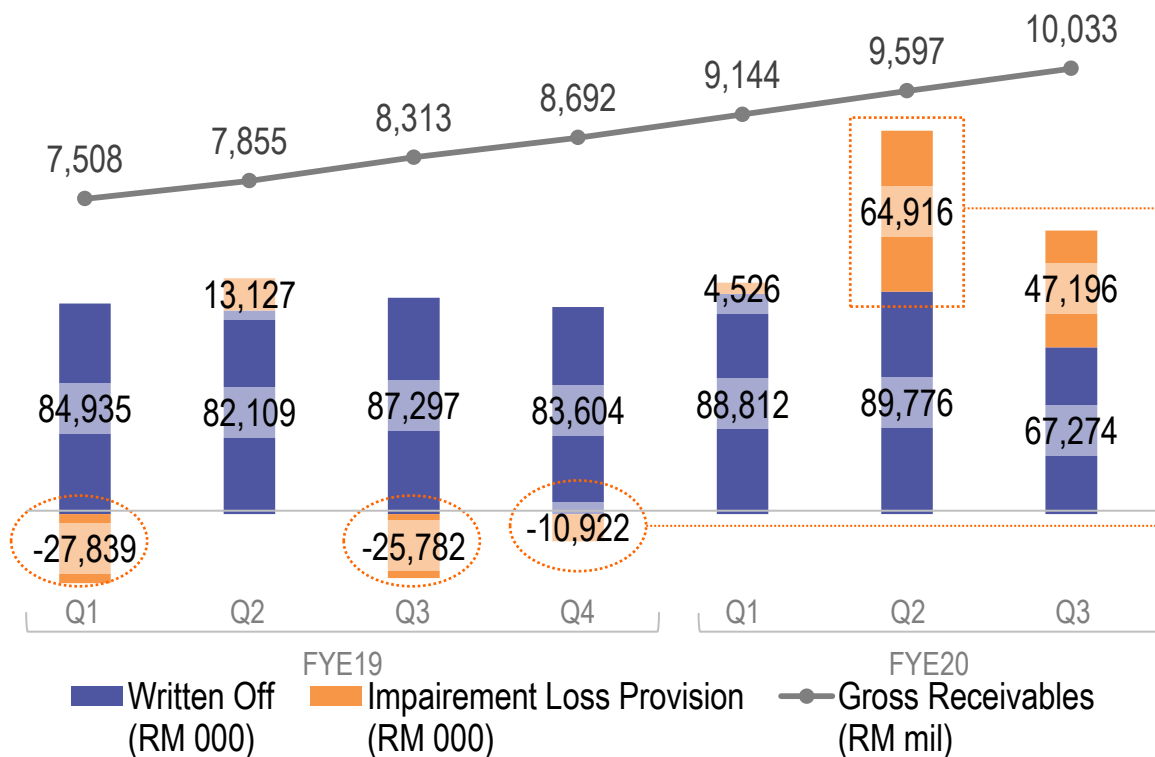
Healthy portfolio with stable collection trend

Receivables Collection Trend



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

Written Off accounts are stable despite increase of financing receivables

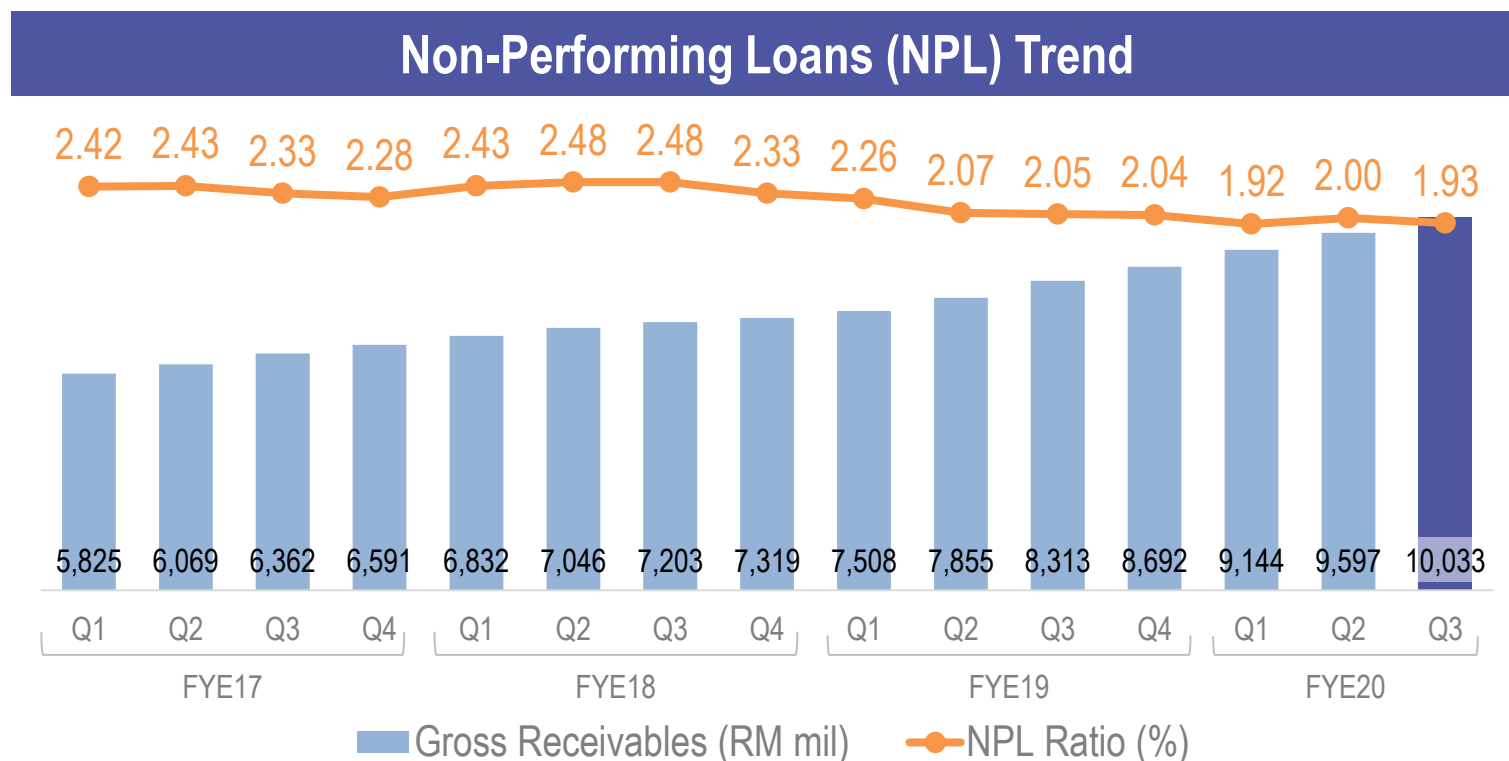


Increased in tandem with the financing receivables growth as well as seasonal factor – Hari Raya Festival

Benefit from the reversal impact of MFRS 9 during early adoption period

(RM 000)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	9M	9M	Change	
	FYE19				FYE20			FYE19	FYE20	(RM 000)	(%)
Written Off	84,935	82,109	87,297	83,604	88,812	89,776	67,274	254,341	245,862	(8,479)	-3.3%
Impairment Loss Provision	(27,839)	13,127	(25,782)	(10,922)	4,526	64,916	47,196	(40,494)	116,638	157,132	-
Total Impairment Loss	57,096	95,237	61,515	72,682	93,338	154,692	114,470	213,848	362,500	148,653	+69.5%

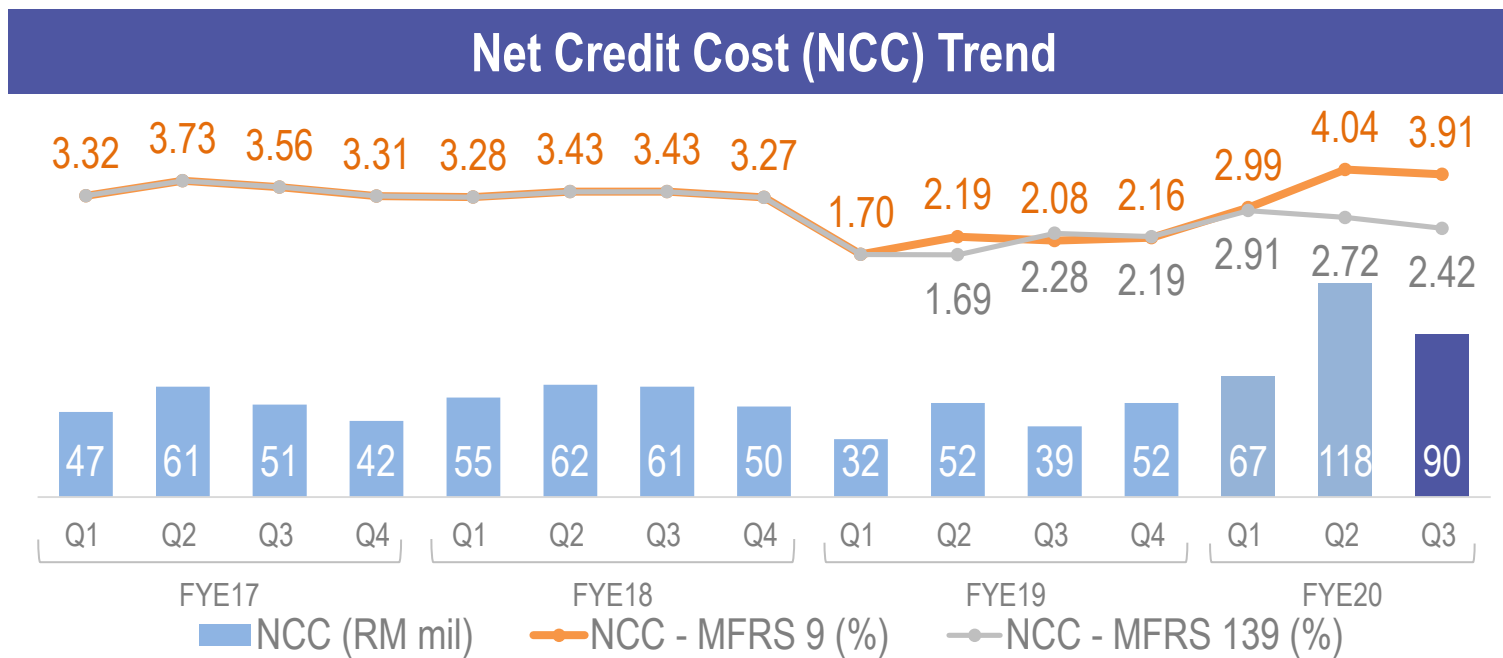
Continuous prudent approach on asset quality management



(RM mil)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	FYE2017				FYE2018				FYE2019				FYE20		
Receivables	5,825	6,069	6,362	6,591	6,832	7,046	7,203	7,319	7,508	7,855	8,313	8,692	9,144	9,597	10,033
Balance D3+	141	148	148	150	166	175	179	171	170	163	171	177	176	192	194
NPL (%)	2.42	2.43	2.33	2.28	2.43	2.48	2.48	2.33	2.26	2.07	2.05	2.04	1.92	2.00	1.93

Net Credit Cost

Greater improvement seen in Q3



(RM mil)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	FYE17				FYE18				FYE19				FYE20		
Impairment Loss	71	82	75	77	83	85	87	82	*57	95	62	95	93	155	114
(-) Bad Debt Recovered	24	21	24	35	28	23	26	32	25	43	23	43	26	37	24
NCC	47	61	51	42	55	62	61	50	32	52	39	52	67	118	90

* Benefiting from higher-than-required loan impairment provisions prior to MFRS 9 adoption, positive reversal impact was recorded during the early adoption period

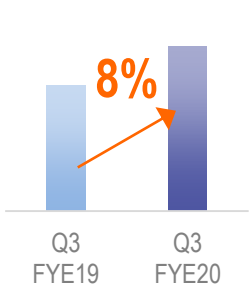
No	Item	Remark	Status
i.	Filed a Notice of Appeal (Form Q) on 5 Jan 2018 to Special Commissioners of Income Tax (SCIT)	<ul style="list-style-type: none"> The Company had filed a notice of appeal to dispute the additional assessments 	<ul style="list-style-type: none"> To date, hearing date has yet to be fixed.
ii.	Judicial Review – Leave application (<i>Seek permission to commence judicial review</i>)	<ul style="list-style-type: none"> Kuala Lumpur High Court (KLHC) dismissed the application on 5 Mar 2018 The Company filed the Notice of Appeal on 5 Mar 2018 at Court of Appeal 	<ul style="list-style-type: none"> The hearing at Court of Appeal against the KLHC decision to dismiss leave for judicial review is fixed on 9 Oct 2019 had been vacated. To date, hearing date has yet to be fixed.
iii.	Judicial Review – Stay application (<i>Asking court to suspend DGIR's decision</i>)	<ul style="list-style-type: none"> Kuala Lumpur High Court dismissed the application on 8 May 2018 The Company filed a Notice of Motion on 8 May 2018 at Court of Appeal 	<ul style="list-style-type: none"> 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. The Company will proceed with its appeal to the Court of Appeal on leave for judicial review.
iv.	Writ & Statement of Claim filed by the Government of Malaysia through the IRB (relating to notices of additional assessment YAs 2010-2016 dated 12 Dec 2017).	<ul style="list-style-type: none"> The Company had filed a stay application and certification of urgency to suspend civil recovery proceedings filed by Government. 	<ul style="list-style-type: none"> On 2 Dec 2019, Shah Alam High Court had granted a stay of proceedings against the civil recovery suit commenced by the Government of Malaysia against the Company. The case management at High Court is fixed on 1 Jun 2020.

Key Strategic Focus

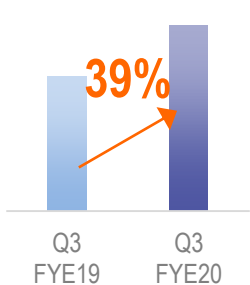
Key Strategic Focus

Asset Quality Management

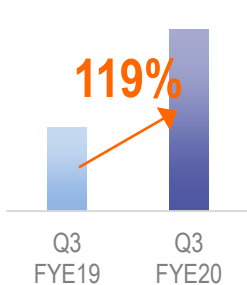
Targeted product offerings to cater for demand from different income groups



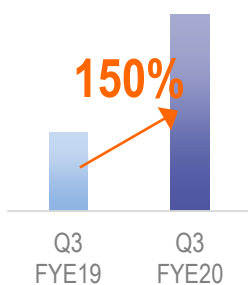
Personal Financing
Customer Income \geq RM3,000 Sales



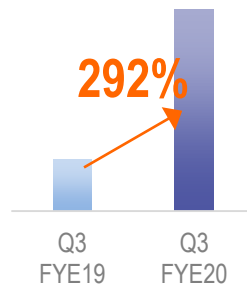
Motorcycle Financing
Premium MOPED (\geq 135cc) Sales



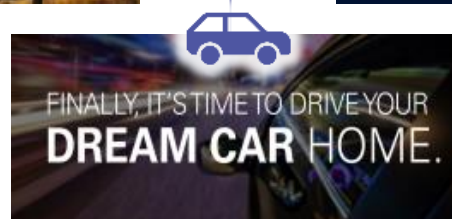
Objective Financing
Premium Bicycle Sales



Auto Financing
New Car Sales

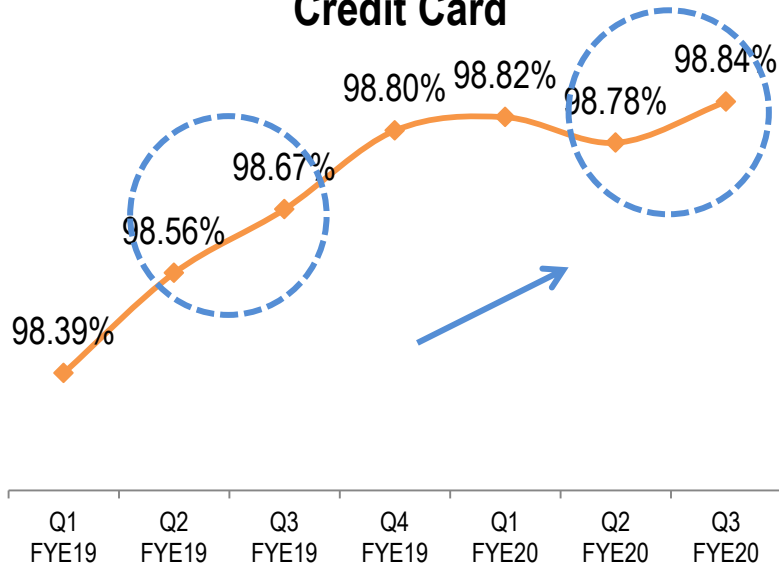


Settlement Business
Platinum Credit Card Total Transaction Amount



New Sales Collection Improved YoY collection ratio

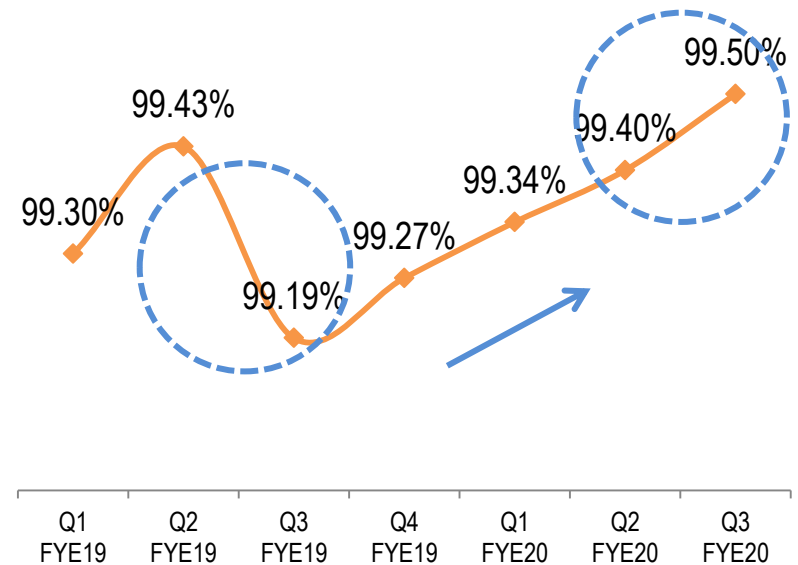
Total Easy Payment & Credit Card



Q1 FYE19 Q2 FYE19 Q3 FYE19 Q4 FYE19 Q1 FYE20 Q2 FYE20 Q3 FYE20

	FYE2019	FYE2020	Change
Q2	98.56%	98.78%	+0.22%
Q3	98.67%	98.84%	+0.17%

Personal Financing



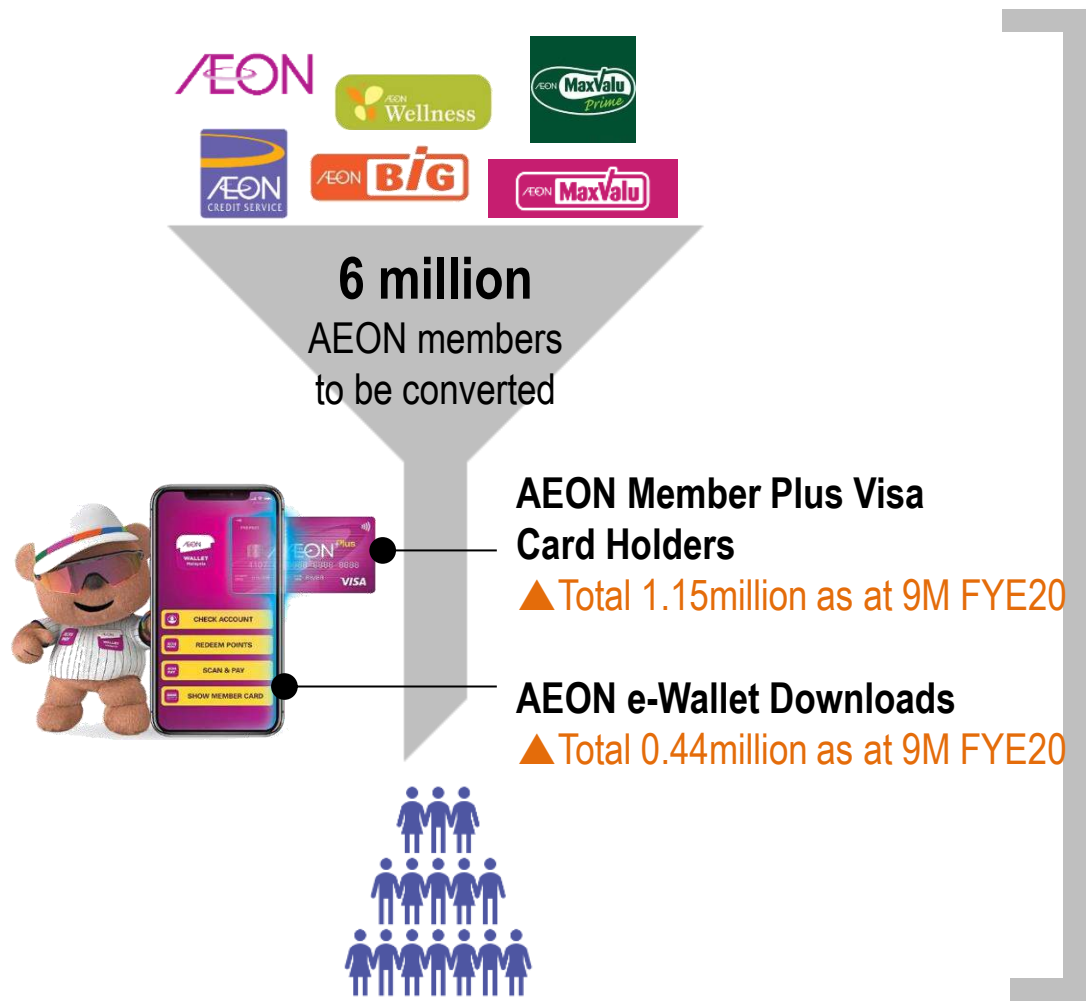
Q1 FYE19 Q2 FYE19 Q3 FYE19 Q4 FYE19 Q1 FYE20 Q2 FYE20 Q3 FYE20

	FYE2019	FYE2020	Change
Q2	99.43%	99.40%	-0.03%
Q3	99.19%	99.50%	+0.31%

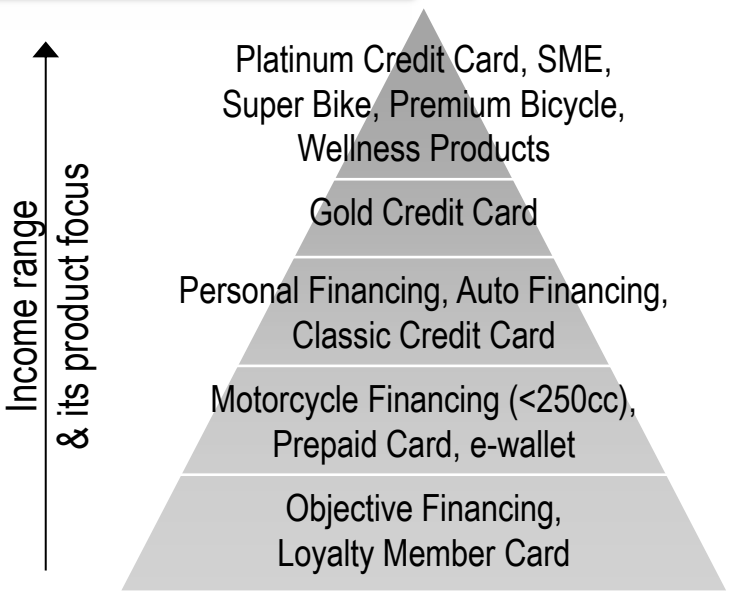
Key Strategic Focus

Database Integration

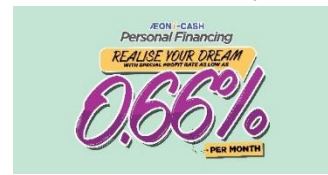
Optimise the potential of data for targeted offerings & cross selling



Data Analytics



E.g.: Cross-selling Personal Finance & Credit Card products by utilizing customer database



Key Strategic Focus

Technology Advancement

To improve user experiences & the efficiency of business process & support system

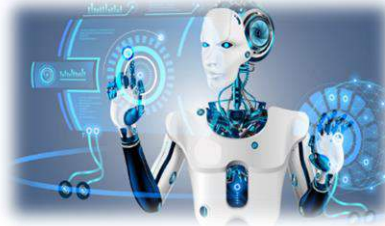
Core System Upgrading



AI

Artificial Intelligence

Setting up data management team



RPA

Robotic Process Automation

Adopting by Finance Department



E-KYC

(e-Know Your Customer) Biometric Identification

Customer Onboarding





Factoring out the book value impact of MFRS 9, core business is growing at steady pace and **key ratios are within healthy range**



GDP growth in Q3 2019: 4.4% (Q2: 4.9%) due to lower growth in key sectors and decline in mining as well as construction activities. Full year projection falls between 4.3-4.8% and should sustain in 2020, underpinned by domestic demand and private spending



OPR unchanged as of Nov 2019: 3.0% (Sept 2019: 3.0%) on the back of BNM's confidence for domestic growth engines to compensate the weakening external conditions



Unemployment rate as of Oct 2019: 3.2% (Sep 2019: 3.3%) with consistent labour force participation rate at 68.7% (Sep 2019: 68.7%). Stable unemployment rate and labour market is in anticipation with more job opportunities in the economy



Budget 2020 is expected to continue providing financial supports for SME (extension of the reinvestment allowance, grants and financing guarantees), higher development expenditure to boost construction activity and higher social spending to aid the lower income group

Appendices

(RM'000)	Q3 FYE19	Q1 FYE20	Q2 FYE20	Q3 FYE20	QoQ (%)	YoY (%)	9M FYE19	9M FYE20	YoY %
Total Transaction & Financing Volume	1,452.5	1,584.1	1,562.5	1,589.0	1.7	9.4	3,799.9	4,735.4	24.6
Credit Card	375.4	429.2	442.8	462.0	4.3	23.0	1,038.4	1,333.8	28.4
Easy Payment Financing	620.4	741.9	724.8	754.0	4.1	21.5	1,757.6	2,221.4	26.4
Personal Financing	453.4	398.9	376.5	350.0	-7.1	-22.9	1,000.5	1,125.2	12.5
E-Money	3.3	14.1	18.4	23.0	22.7	580.7	3.4	55.0	1,617.6
Total Income	376.5	410.2	445.9	433.6	-2.8	15.2	1,111.9	1,289.8	16.0
Operating Expenses	-194.0	-222.1	-299.3	-258.1	-13.8	33.1	-570.6	-779.5	36.6
Interest Expenses	-64.5	-75.4	-79.8	-82.7	3.6	28.1	-184.2	-237.8	29.1
Profit Before Tax	118.0	112.7	66.8	92.8	38.9	-21.3	357.1	272.4	-23.7
Corporate Tax	-30.9	-28.1	-17.7	-22.9	29.2	-25.9	-90.1	-68.8	-23.7
Net Profit	87.1	84.6	49.1	69.9	42.3	-19.7	267.0	203.7	-23.7

(RM'000)	Q3 FYE19	Q1 FYE20	Q2 FYE20	Q3 FYE20	QoQ (%)	YoY (%)
Credit Card	702	790	831	884	6.3	26.0
Card Purchase	637	727	769	822	6.9	29.1
Cash Advance	65	63	62	62	-1.1	-4.8
Personal Financing	2,329	2,513	2,649	2,813	6.2	20.8
Objective Financing	361	340	348	346	-0.6	-4.0
Motorcycle Financing	2,420	2,790	2,954	3,084	4.4	27.4
MOPED	1,528	1,892	2,059	2,201	6.9	44.0
Superbike	892	898	894	883	-1.3	-1.1
Auto Financing	2,436	2,649	2,755	2,850	3.4	17.0
SME Financing	65	62	60	56	-5.9	13.4
Total Financing	8,313	9,144	9,597	10,033	4.5	20.7
Receivables						
Impairment Loss	-576	-591	-656	-703	7.2	22.2
Other Assets	707	640	666	669	0.6	-5.3
Total Assets	8,445	9,193	9,607	10,000	4.1	18.4
Total Liabilities	6,848	7,297	7,753	8,139	5.0	18.8
Shareholders' Fund	1,596	1,896	1,854	1,861	0.4	16.6

(RM'000)	Q3 FYE19	Q1 FYE20	Q2 FYE20	Q3 FYE20	QoQ (%)	YoY (%)	9M FYE19	9M FYE20	YoY %
Credit Card	30.4	31.7	31.8	33.2	4.4	9.2	87.5	96.7	10.5
Personal Financing	108.9	121.0	134.3	130.5	-2.8	19.8	298.5	385.9	29.3
Objective Financing	24.3	21.9	21.6	20.8	-3.7	-14.4	77.7	64.3	17.2
Motorcycle Financing	107.9	121.7	129.8	131.2	1.1	21.6	313.4	382.7	22.1
Auto Financing	75.7	81.0	85.6	85.6	-	13.1	225.0	252.3	12.1
SME Financing	1.3	1.3	1.2	1.1	-8.3	-15.4	4.2	3.6	-14.3
Total Revenue	348.5	378.6	404.3	402.4	-0.5	15.5	1,006.3	1,185.5	17.8
Other Operating Income	28.0	31.6	41.5	31.2	-24.8	11.4	105.6	104.3	-1.2
Total Operating Income	376.5	410.2	445.8	433.6	-2.7	15.2	1,111.9	1,289.8	16.0

(RM mil)	Q3	Q1	Q2	Q3	QoQ	YoY	9M	9M	YoY
	FYE19	FYE20	FYE20	FYE20	(%)	(%)	FYE19	FYE20	(%)
Impairment Loss on Receivables	61.5	93.3	154.7	114.5	-26.0	86.2	213.8	362.5	69.6
Personnel Expenses	62.7	55.1	63.6	66.3	4.2	5.7	169.8	185.0	9.0
Advertisement & Promotion (A&P)	18.6	24.0	25.1	17.9	-28.7	37.6	42.6	66.9	57.0
Other Operating Expenses	51.0	49.8	55.9	59.5	6.4	-16.7	144.3	165.1	-14.4
Operating Expenses	193.8	222.2	299.3	258.2	-13.7	33.2	570.5	779.5	36.6
Interest expenses	64.6	75.4	79.8	82.7	3.6	28.0	184.3	237.8	29.0
Total Expenses	258.4	297.6	379.1	340.9	-10.1	31.9	754.8	1,017.3	34.8

(RM'000)	FYE17	FYE18	FYE19	9M FYE19	9M FYE20	YoY
PBT	351.0	398.0	472.0	357.1	272.4	-23.7%
PAT	265.0	300.0	355.0	267.0	203.7	-23.7%
Weighted average no. of ordinary shares (mil unit)	248.0	206.0	255.0	250.0	255.0	+5.0
Basic EPS (RM)	1.0	1.4	1.3	1.4	1.0	-0.4
NTA per share (RM)	6.6	6.4	6.0	5.7	6.0	0.3
ROE* (%)	28.9	22.6	22.1	22.8	17.3	-5.5%
ROA* (%)	4.0	4.0	4.3	4.4	2.9	-1.5%
Capital ratio against receivables (%)	19.5	25.1	22.4	19.8	20.2	0.4%
Debt-to-Equity Ratio (x)	4.7	3.0	3.4	4.1	4.1	-
Share Price (RM)	15.7	13.5	16.5	15.2	14.7	-0.5
PER (x)	9.0	9.4	11.9	11.1	14.3	3.2x
Market Capitalisation	2,261	3,344	4,149	3,811	3,733	-78

* Annualised

Consistent dividend payout

	FYE18	FYE19	1H FYE20
Total Dividend	41.13 sen/ share	44.60 sen/ share	22.25 sen/ share
Dividend Payout	RM 102.16m	RM 111.85m	RM 56.43m
Dividend Payout Ratio	34.0%	31.5%	41.7%

FINANCIAL SERVICES
 BELOW RM10 BILLION MARKET CAPITALISATION
 HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
 AEON CREDIT SERVICE (M) BHD



The Edge Billion Ringgit Club

Financial Service Sector

(Below RM10 billion market capitalization)

Highest Returns to Shareholders Over Three Years

VISA Malaysia Awards



① Highest Card Growth

② Highest Payment Volume Growth



HR Asia Awards – Malaysia

Best Companies To Work For In Asia

Recognition in creating
 workplace excellence and
 promoting greater employee
 engagement.

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THANK YOU