



AEON CREDIT SERVICE

Listing Board : Bursa Malaysia Securities Berhad, Main Market
Stock Name/ Code : AEONCR / 5139

Q2 / 1H FYE2021 Results Update

29 September 2020

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Financial Overview

Performance Highlights: 1H FYE21

Reflecting the macro environment impacts, holding key ratios in check

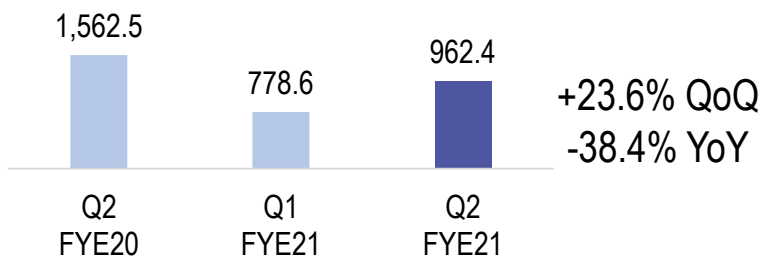
		1H FYE20	1H FYE21	YTD Change
Profitability	PAT	RM133.7M	RM78.1M	-41.6%
	ROE (annualised)	17.1%	9.5%	-7.6%
Asset Quality	Transaction & Financing Volume	RM3.1B	RM1.7B	-44.7%
	Gross Financing Receivables	RM9.6B	RM10.3B	+6.9%
	Loan Loss Coverage Ratio	342%	417%	+75%
	Non-Performing Loan (NPL)	2.00%	1.95%	-0.05%
	Net Credit Cost (NCC)	4.04%	4.58%	+0.54%
Liquidity	Capital Adequacy Ratio (CAR)	20.6%	22.0%	+1.4%

Income Statement

Transaction & Financing Volume showed sign of recovery QoQ; Profits improved as a result of lower operating costs

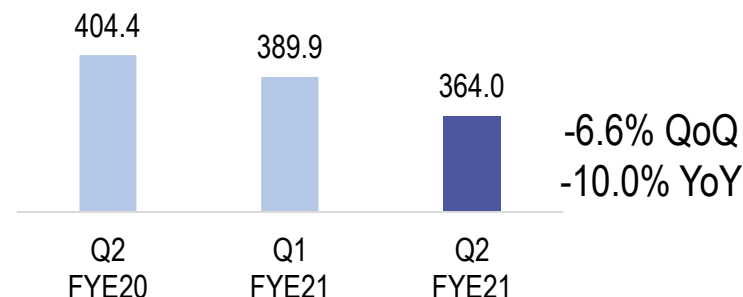
Total Transaction & Financing Volume (RM mil)

❖ Recovered from MCO enforced in Q1



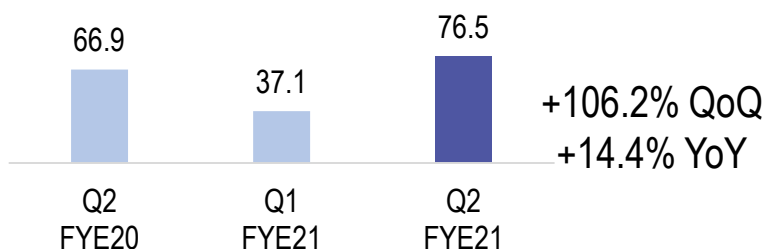
Revenue (RM mil)

❖ Mainly due to Day-1 modification loss of RM28.4mil related to AEON Relief Programme and lower fee income

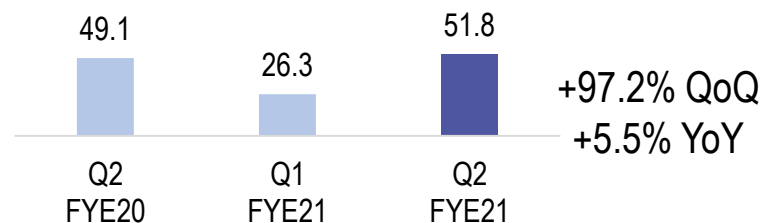


PBT (RM mil)

❖ Driven by lower overhead cost and impairment losses



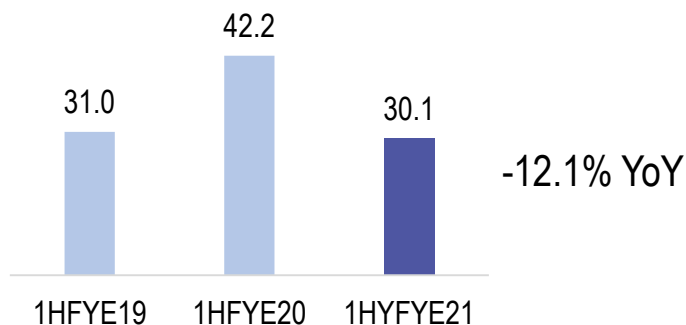
PAT (RM mil)



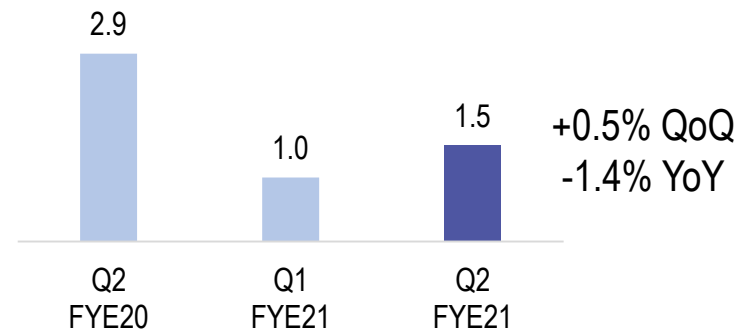
Shareholder Value & Capital Management

Maintain dividend payout ratio at 30.1%; CAR remains healthy

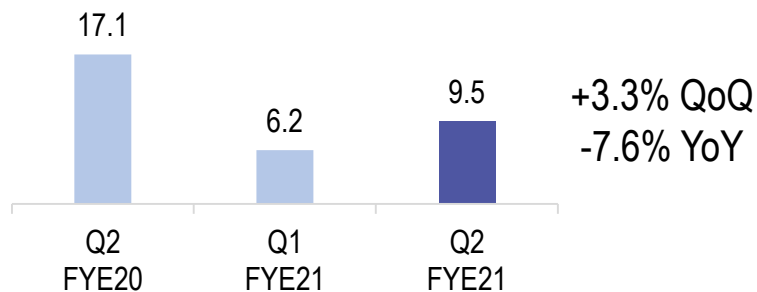
Dividend Payout (%)



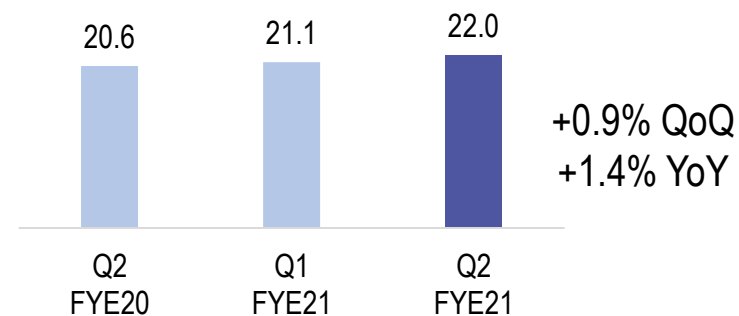
ROA (%)



ROE (%)

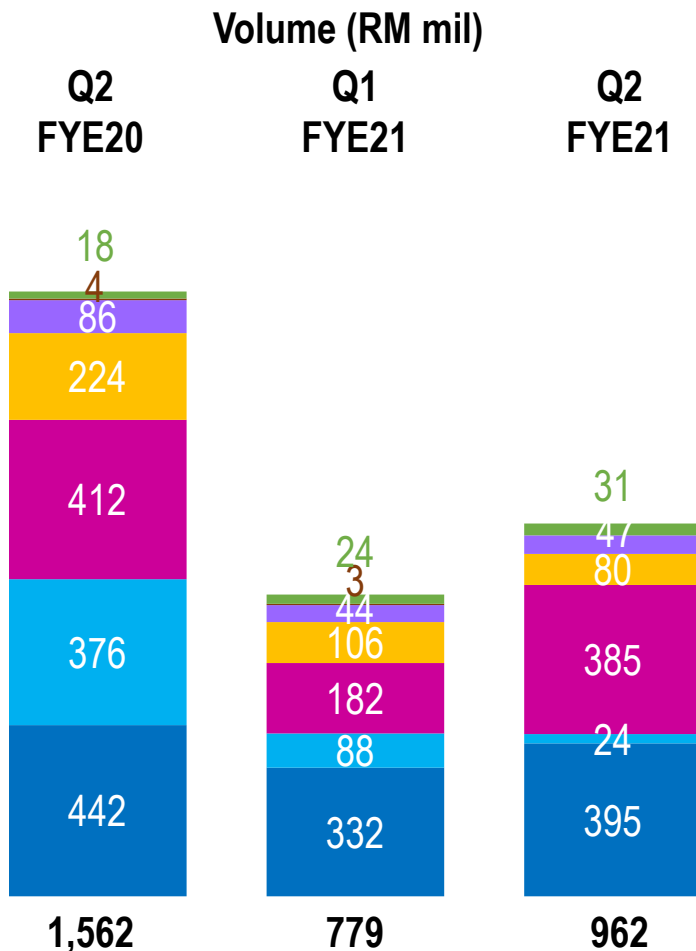


CAR (%)



Total Transaction & Financing Volume

Motorcycle Financing, E-money and Credit Card led the QoQ growth

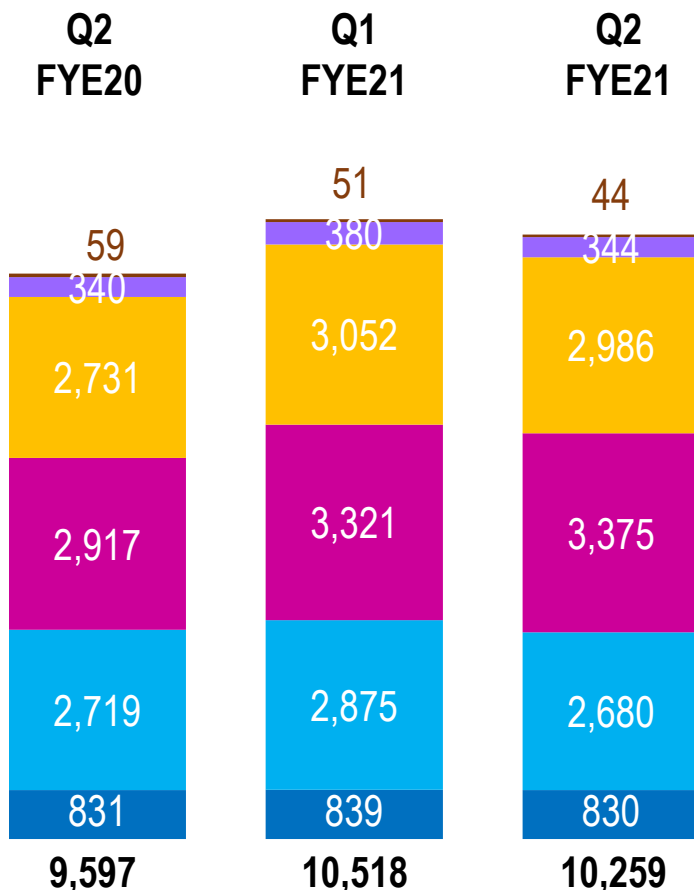


Products (%)	QoQ	YoY
Credit Card	+19.0	-10.6
Personal Financing	-72.7	-93.6
Motorcycle Financing	+111.5	-6.6
Auto Financing	-24.5	-64.3
Objective Financing	+6.8	-45.3
SME Financing	-100.0	-100.0
E-money	+29.2	+72.2
Total	+23.6	-38.4

Total Financing Receivables

Receivables growth 6.9%YoY under the challenging environment

Gross Receivables (RM mil)



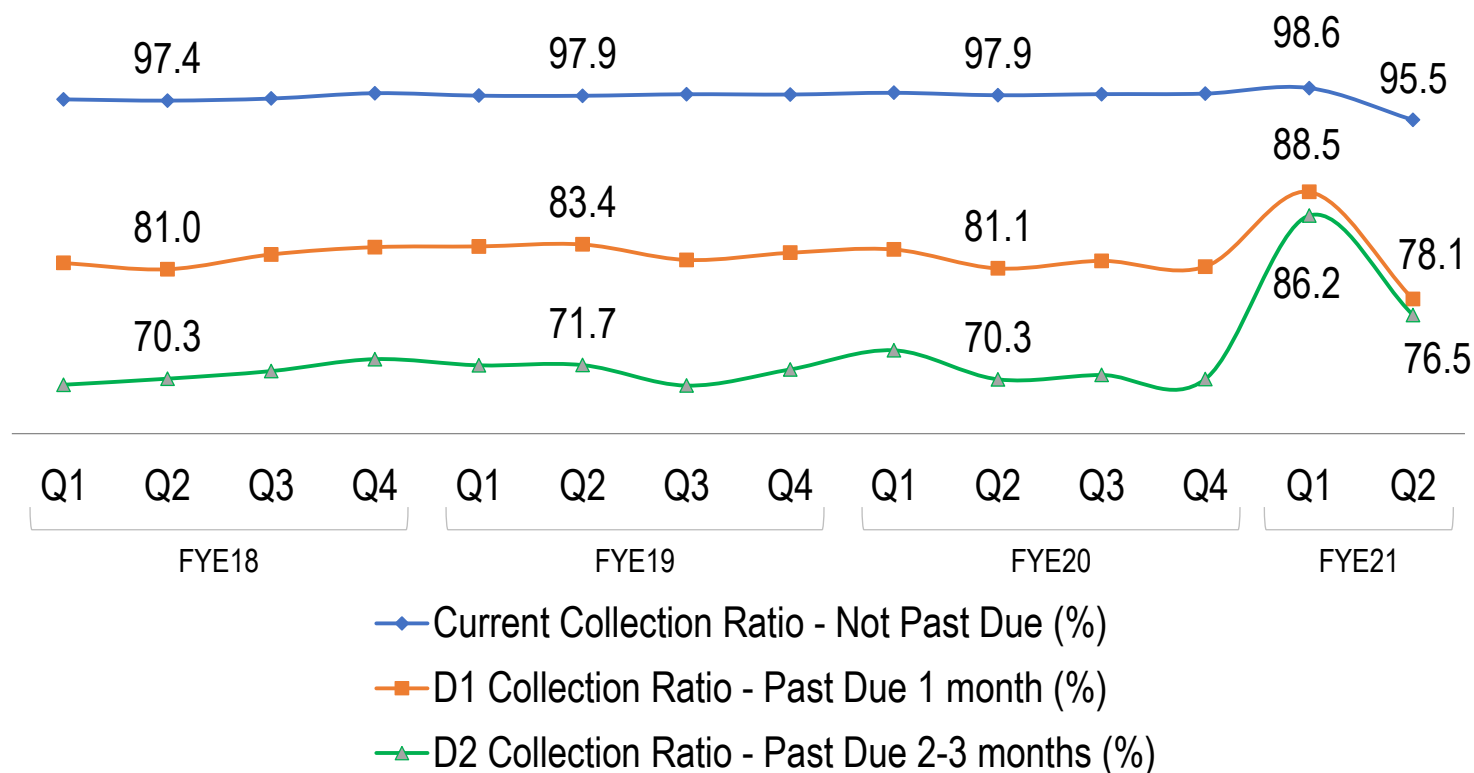
Receivables Movement (%)		QoQ	YoY
Credit card		-1.0	-0.1
Personal Financing		-6.8	-1.4
Motorcycle Financing		+1.6	+15.7
Auto Financing		-2.2	+9.3
Objective Financing		-9.4	+1.3
SME Financing		-15.1	-26.5
Total		-2.5	+6.9

Receivables Breakdown (%)		Q2 FYE21	YoY
Credit card		8.1	-0.6
Personal Financing		26.1	-2.2
Motorcycle Financing		32.9	+2.5
Auto Financing		29.1	+0.7
Objective Financing		3.4	-0.2
SME Financing		0.4	-0.2
Total		100.0	-

Receivables Collection

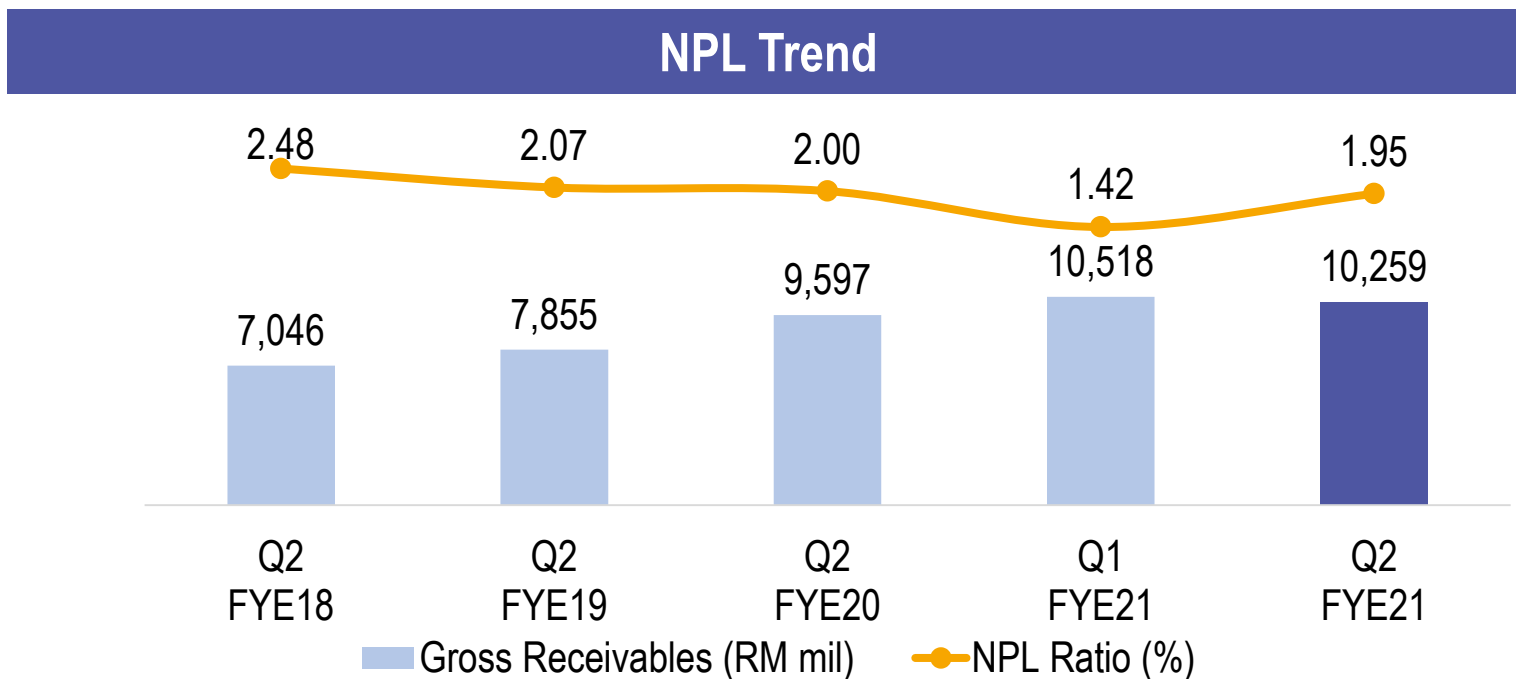
Collection activities resumed in June; Introduced AEON Relief Programme

Receivables Collection Trend



Non-Performing Loans (NPL)

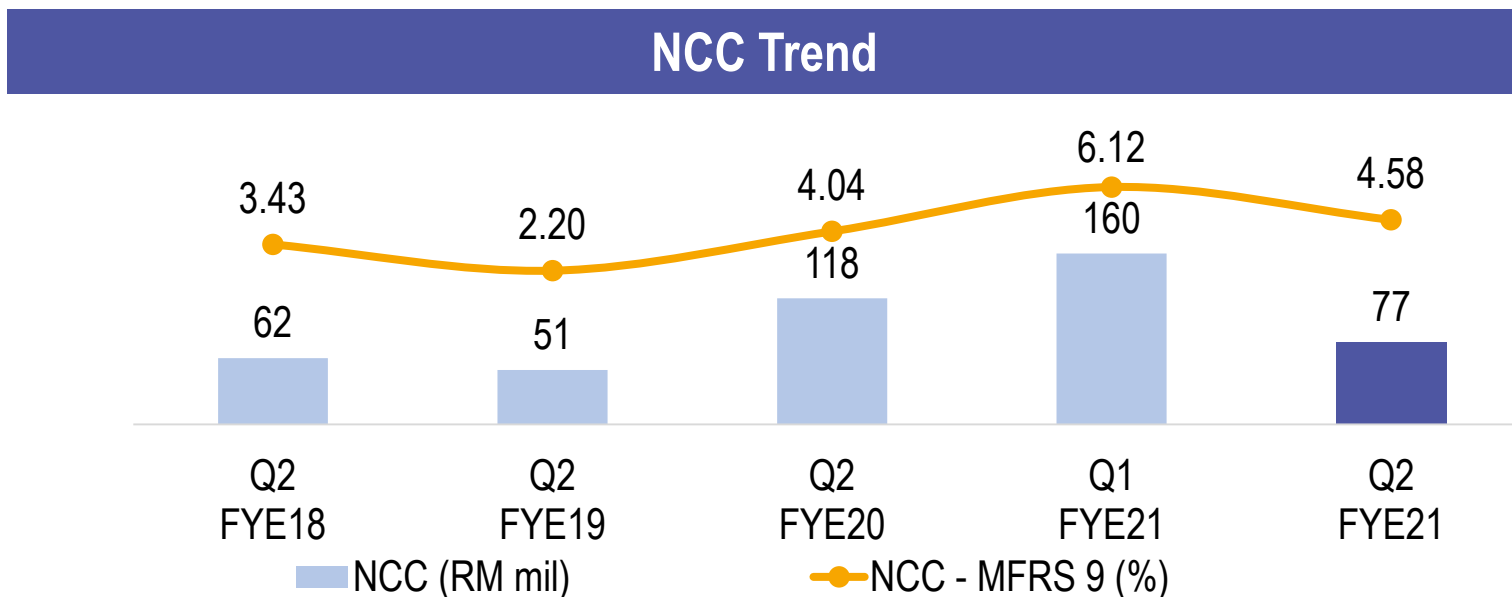
Continuous prudent approach on asset quality strategy



(RM mil)	Q2 FYE18	Q2 FYE19	Q2 FYE20	Q1 FYE21	Q2 FYE21
Receivables	7,046	7,855	9,597	10,518	10,259
Balance D3+	175	163	192	150	200
NPL (%)	2.48	2.07	2.00	1.42	1.95

Net Credit Cost (NCC)

Lower NCC QoQ due to lower impairment loss (IL) and higher bad debt recovered

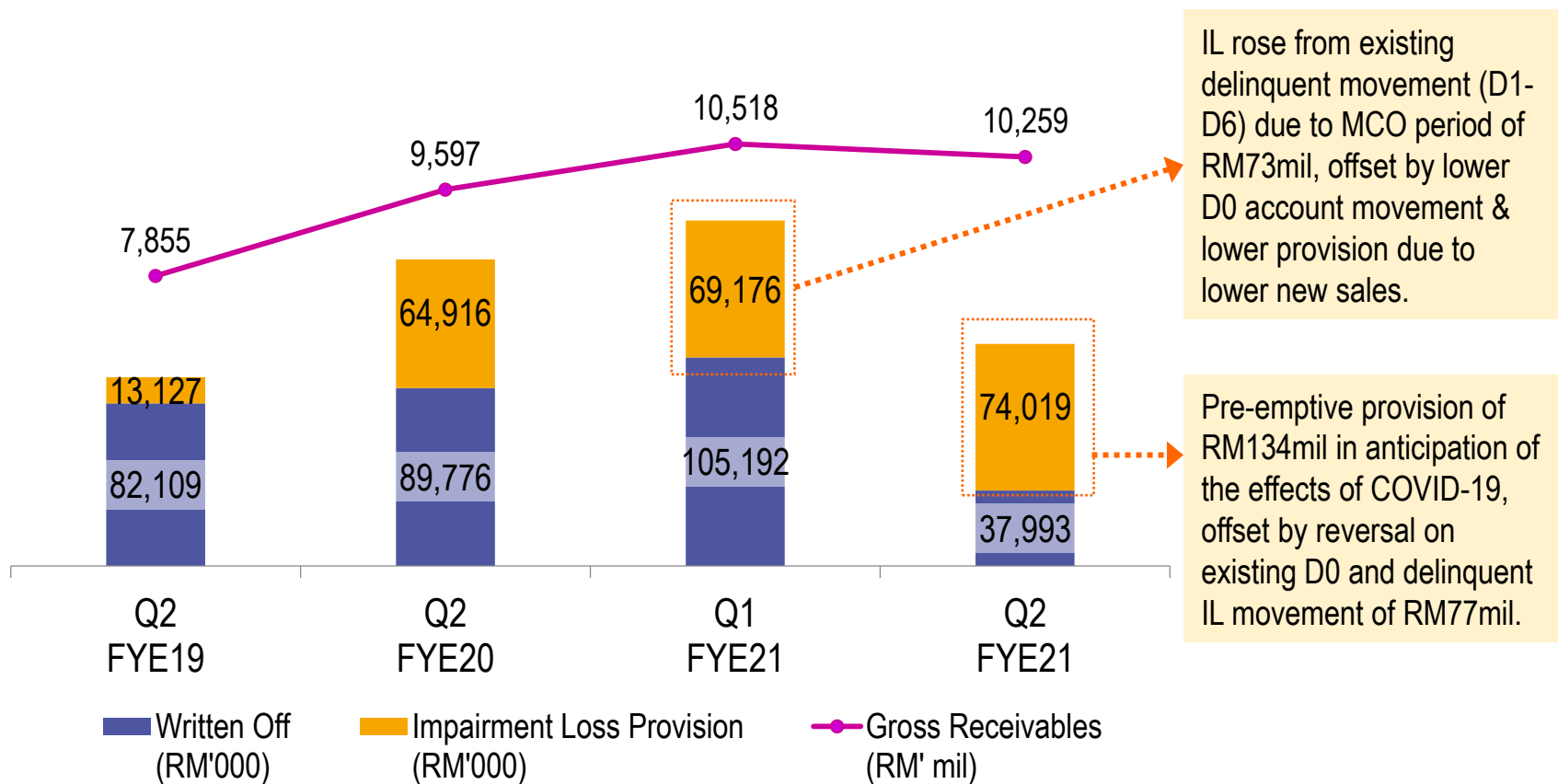


(RM mil)	Q2 FYE18	Q2 FYE19	Q2 FYE20	Q1 FYE21	Q2 FYE21
Total IL	85	95	155	174	112
(-) Bad Debt Recovered	23	44*	37*	14	35
NCC	62	51	118	160	77

* Including write-off sales of RM19mil (Q2FYE19) & RM14mil (Q2FYE20).

Impairment Loss (IL) Analysis

Lower written-off accounts due to temporary criteria revision



(RM'000)	Q2 FYE19	Q2 FYE20	Q1 FYE21	Q2 FYE21	Changes QoQ	
					(RM'000)	(%)
Total IL	95,236	154,692	174,368	112,012	-62,356	-36

IL Analysis

Increased provisioning on management overlay for potential COVID-19 impact

No	Breakdown of IL	Q2 FYE20 RM'000	Q2 FYE21 RM'000	YoY %	1H FYE20 RM'000	1H FYE21 RM'000	YoY %
1	Written off	89,776	37,993	-57.7	178,588	143,184	-19.8
2	IL provision from new sales	50,727	17,212	-66.1	100,440	31,182	-69.0
3	Movement of delinquent / repayment	14,189	-77,488	-646.1	-30,998	-22,281	-28.1
4	Pre-emptive provision	-	134,295	-	-	134,295	-
	IL provision	64,916	74,019	14.0	69,442	143,196	+106.2
	Total IL	154,692	112,012	-27.6	248,030	286,380	+15.5
	Financing receivables RM'000	9,596,586	10,259,428	+6.9			

1. Bad debts written off lower attributed to temporary revision in write-off criteria by extending the write off delinquency from D6 to D9 with effect from Jul'20 to Nov'20.
2. IL provision from new sales lower driven by lower new sales.
3. Reversal of IL on current & delinquent accounts due to AEON Relief Programme.
4. Pre-emptive provision set aside for potential COVID-19 impact.

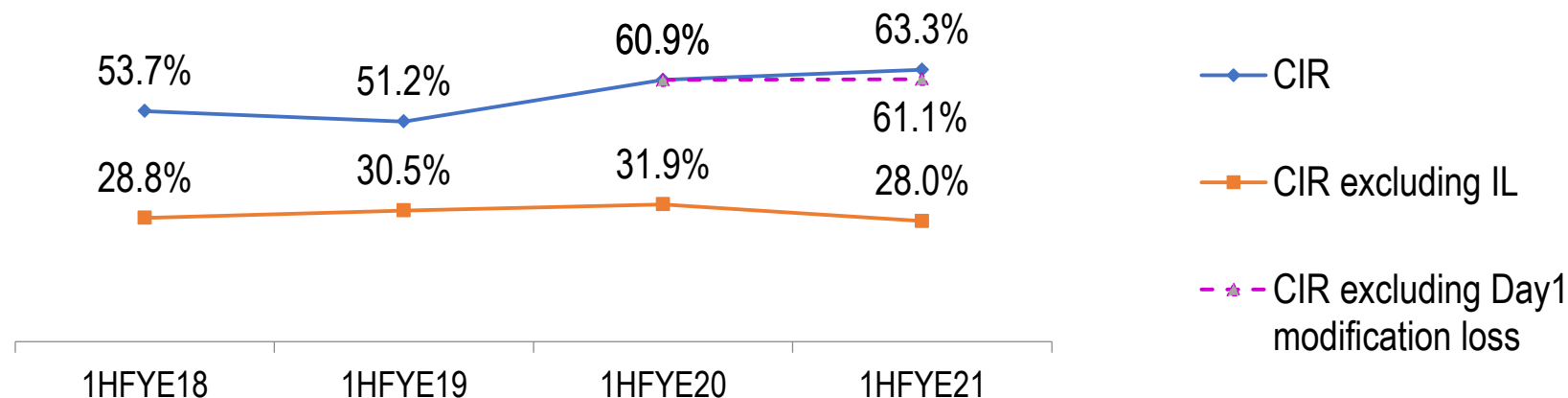
Cost-to-Income Ratio

Operational efficiency (excluded IL) improved due to prudent cost management

(RM mil)	Q2 FYE21	QoQ	1H FYE21	YoY
Total Operating Income	405.7	-0.3%	812.7	-5.1%
Total Impairment Loss	112.0	-35.8%	286.4	15.5%
Personnel Expenses	48.1	34.0%	84.0	-29.2%
Advertisement & Promotion	12.9	5.7%	25.1	-48.9%
Other Operating Expenses	63.7	15.8%	118.7	12.4%
Total Operating Expenses	236.7	-14.7%	514.2	-1.4%

Total operating expenses contracted by RM40.8 mil (-14.7% QoQ) and RM7.3mil (-1.4% YoY) from continued effective cost management.

Cost-to-Income Ratio (CIR)



Taxation: Appeal Status Update

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 7 Oct 2020.



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COVID-19 Key Focus

COVID-19: Key Focus

Liquidity

- i. Focus on collection
- ii. Sufficient banking facilities
- iii. Financial assistance



Business Partners

- i. Focus on E-KYC
- ii. Online application



Employees

- i. Safety
- ii. Social Distancing
- iii. Enhance IT facilities for remote working
- iv. Deploy employees to different work sites



Risk Management

- i. Asset quality management
- ii. Product & customer portfolio management



Key Focus

Customers

- i. Actively engage with customers who face financial constraints
- ii. Ensure customer safety at branches/ service centres
- iii. Support customers with financial assistance programme



Cost Management

- i. Accelerate digitalization to improve operation efficiency
- ii. Prudent cost management
- iii. Delay non-essential projects



COVID-19: AEON RELIEF PROGRAMME

Financial Assistance Programmes

AEON Relief Programme (ARP) for Easy Payment & PF customers

36-month installment plan for credit card customers

Refinancing or Restructuring

Post Moratorium Status

Customers who eligible for payment holiday have the following options:

1. Make 3 months payment in Jun.
2. Make at least 1 month payment in Jun and pay the rest by end of Sep.
3. Apply AEON Relief Programme by end of Sep.

- **97%** of our customers have applied for ARP or self-pay.
- ARP loan amount : **4%** of total receivables.

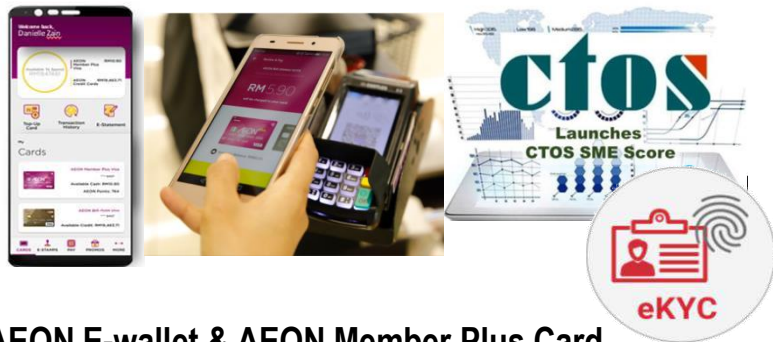


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FYE 2021 Key Focus

Digitalization

Digitalize customer's touchpoint



AEON E-wallet & AEON Member Plus Card

- Common platform for loyalty point programme.
- AEON group database integration for expansion business through targeted offerings and cross selling.
- Enhance the user experience of AEON E-wallet.

- E-application
- New interface design
- E-statement
- Virtual express card

RM'000	FYE20	Q2 FYE21	YoY (%)
E-wallet Downloads	566	766	+35.3
AMP Card Holders	1,410	1,591	+12.8



E-Application

- 👤 Digital ID
- 👁️ Facial Recognition

- E-forms
- B2C2B – direct customer touchpoints

On Boarding

- E-KYC – real time identity authentication
- Pre-approval scheme for merchants

E-Signature

- Reduce face to face contact
- In the midst of getting approvals from relevant authorities

E-Warehouse

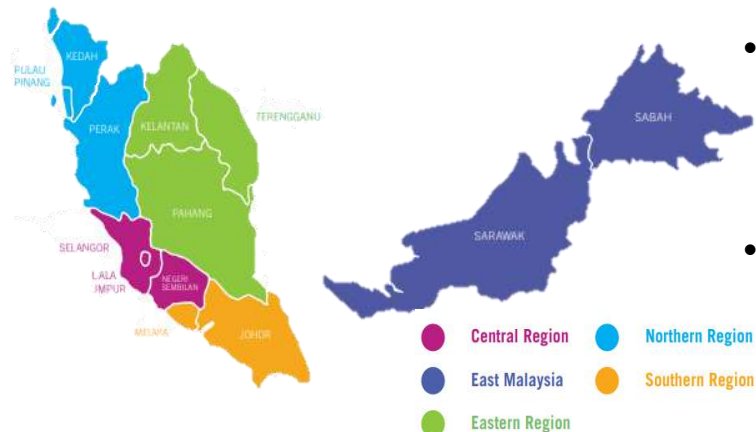
- Paperless & minimize physical storage

Data Warehouse

- 📊 Data Analysis
- 📋 Credit Analysis
- 📁 Report Management

Digital Roadmap

Regionalisation



- Localising marketing strategy **by states** to better facilitate the **business expansion at potential untapped markets** and customise the product offerings
- Streamlining operation and reviewing performance constantly for **agile decision making** and **cost efficiency**

Branch closures & CDM machine reduction gradually

Closure based on digitalize strategy & shift to online payment

Operational Efficiency

Cost control & efficiency improvement

Re-strategising marketing activities to online RPA

Human capital planning

Special task force for collection

Prioritising CAPEX investment

Optimise resources for key projects to enhance efficiency

FYE 2021: 2HY Key Focus

Continuous efforts for the better performance

Value chain digitalization

- Value chain digitalization from customer touch point.
- Capture online demands with e-commerce product offering.

Asset Quality

- Utilise AEON group customer's database to cross selling.
- Capture better asset quality customers.

Operation

- Cost control for personnel & operating expenses.
- Improve operation efficiency.
- Enhance turnaround time and improve customers' experience.



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Appendices

Performance Highlights

(RM mil)	Q2 FYE20	Q1 FYE21	Q2 FYE21	QoQ (%)	YoY (%)	1H FYE20	1H FYE21	YoY %
Total Transaction & Financing Volume	1,562.5	778.6	962.4	23.6%	-38.4%	3,146.6	1,741.0	-44.7%
Credit Card	442.8	331.8	394.7	18.9%	-10.9%	872.0	726.5	-16.7%
Easy Payment Financing	724.8	334.4	512.6	53.3%	-29.3%	1,466.7	847.0	-42.2%
Personal Financing	376.5	88.3	23.8	-73.1%	-93.7%	775.4	112.1	-85.5%
E-Money	18.4	24.1	31.3	29.6%	70.2%	32.5	55.4	70.4%
Total Income	446.0	407.0	405.7	-0.3%	-9.0%	856.2	812.7	-5.1%
Operating Expenses	(299.3)	(277.5)	(236.7)	-14.7%	-20.9%	(521.4)	(514.2)	-1.4%
Interest Expenses	(79.8)	(92.4)	(92.5)	0.1%	16.0%	(155.2)	(184.9)	19.2%
Profit Before Tax	66.9	37.1	76.5	106.2%	14.4%	179.6	113.6	-36.7%
Income Tax	(17.8)	(10.8)	(24.7)	128.3%	39.0%	(45.9)	(35.5)	-22.6%
Net Profit	49.1	26.3	51.8	97.2%	5.5%	133.7	78.1	-41.6%

Financial Summary

(RM mil)	Q2 FYE20	Q1 FYE21	Q2 FYE21	QoQ (%)	YoY (%)
Credit Card	830.9	838.5	829.8	-1.0%	-0.1%
Card Purchase	768.6	779.9	769.9	-1.3%	0.2%
Cash Advance	62.3	58.6	59.9	2.2%	-3.8%
Personal Financing	2,718.8	2,875.2	2,679.8	-6.8%	-1.4%
Objective Financing	340.2	380.1	344.5	-9.4%	1.3%
Motorcycle Financing	2,916.0	3,321.3	3,375.4	1.6%	15.8%
MOPED	2,038.6	2,440.7	2,534.3	3.8%	24.3%
Superbike	877.4	880.6	841.1	-4.5%	-4.1%
Auto Financing	2,731.4	3,052.0	2,986.3	-2.2%	9.3%
SME Financing	59.3	51.4	43.6	-15.1%	-26.5%
Total Financing Receivables	9,596.6	10,518.5	10,259.4	-2.5%	6.9%
Impairment Loss	(656.0)	(759.7)	(833.7)	9.7%	27.1%
Other Assets	666.0	781.9	927.5	18.6%	39.3%
Total Assets	9,606.6	10,540.7	10,353.2	-1.8%	7.8%
Total Liabilities	7,752.7	8,817.3	8,638.0	-2.0%	11.4%
Shareholders' Fund	1,853.9	1,723.4	1,715.2	-0.5%	-7.5%

Operating Income

(RM mil)	Q2 FYE20	Q1 FYE21	Q2 FYE21	QoQ (%)	YoY (%)	1H FYE20	1H FYE21	YoY (%)
Credit Card	31.8	34.1	35.1	2.9%	10.3%	63.5	69.2	9.0%
Personal Financing	134.3	119.3	100.7	-15.6%	-25.0%	255.4	220.0	-13.9%
Objective Financing	21.6	19.6	19.6	0.5%	-9.1%	43.5	39.2	-9.8%
Motorcycle Financing	129.8	124.4	127.4	2.4%	-1.9%	251.5	251.8	0.1%
Auto Financing	85.6	85.9	78.2	-9.0%	-8.6%	166.7	164.2	-1.5%
SME Financing	1.3	0.5	0.9	93.4%	-30.8%	2.5	1.4	-44.0%
E money	-	6.1	2.1	-66.3%	-	-	8.2	-
Total Revenue	404.4	389.9	364.0	-6.6%	-10.0%	783.1	753.9	-3.7%
Other Operating Income	41.6	17.1	41.7	143.2%	0.2%	73.1	58.8	-19.5%
Total Operating Income	446.0	407.0	405.7	-0.3%	-9.0%	856.2	812.7	-5.1%

Total Expenses

(RM mil)	Q2 FYE20	Q1 FYE21	Q2 FYE21	QoQ (%)	YoY (%)	1H FYE20	1H FYE21	YoY (%)
Total Impairment Loss	154.7	174.4	112.0	-35.8%	-27.6%	248.0	286.4	15.5%
Personnel Expenses	63.6	35.9	48.1	33.9%	-24.4%	118.7	84.0	-29.2%
Advertisement & Promotion (A&P)	25.1	12.2	12.9	5.2%	-48.8%	49.1	25.1	-48.9%
Other Operating Expenses	55.9	55.0	63.7	15.8%	14.0%	105.6	118.7	12.4%
Operating Expenses	299.3	277.5	236.7	-14.7%	-20.9%	521.4	514.2	-1.4%
Interest Expenses	79.8	92.4	92.5	0.1%	16.0%	155.2	184.9	19.2%
Total Expenses	379.1	369.9	329.2	-11.0%	-13.2%	676.6	699.1	3.3%

Financial Indicators

(RM mil)	FYE18	FYE19	FYE20	Q1 FYE21	Q2 FYE21	1HY FYE21
PBT	398.3	472.2	390.4	37.1	76.5	113.6
PAT	300.1	354.6	292.0	26.3	51.8	78.1
Weighted average no. of ordinary shares (mil unit)	200.3	255.3	255.3	255.3	255.3	255.3
Basic EPS (RM)*	1.4	1.3	1.1	0.4	0.6	0.6
NTA per share (RM)	6.4	6.0	6.1	6.0	6.0	6.0
ROE (%)*	22.6	22.1	18.0	6.2	9.5	9.5
ROA (%)*	4.0	4.3	3.1	1.0	1.5	1.5
Capital ratio against receivables (%)	25.1	22.4	18.9	21.1	22.0	22.0
Debt-to-Equity Ratio (x)	3.0	3.4	4.6	4.8	4.5	4.5
Share Price (RM)	13.5	16.5	13.8	9.0	9.0	9.0
PER (x)	9.4	11.9	12.9	24.3	15.9	15.9
Market Capitalisation (mil)	3,344	4,149	3,500	2,278	2,293	2,293

* Computed based on annualised basis.



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Thank You