



# AEON CREDIT SERVICE

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

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## Q1 / 3M FYE21 Results Update

25 June 2020

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1. Financial Overview
2. COVID-19: Focus Area
3. FYE2021: Key Focus



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## Financial Overview

# Key Highlights

Performance reflected the impacts of COVID-19 and MCO

		3M FYE20	3M FYE21	YoY Change
Profitability	PAT	RM85M	RM26M	- 68.9%
	ROE (annualised)	22.1%	6.2%	- 15.9%
Asset Quality	Transaction & Financing Volume	RM1,584M	RM779M	- 50.9%
	Gross Financing Receivables	RM9,144M	RM10,518M	+ 15.0%
	Loan Loss Coverage Ratio	337%	507%	+ 170%
	Non-Performing Loan (NPL)	1.92%	1.42%	- 0.50%
	Net Credit Cost (NCC)	2.99%	6.12%	+ 3.13%
Liquidity	Capital Adequacy Ratio (CAR)	21.7%	21.1%	- 0.6%

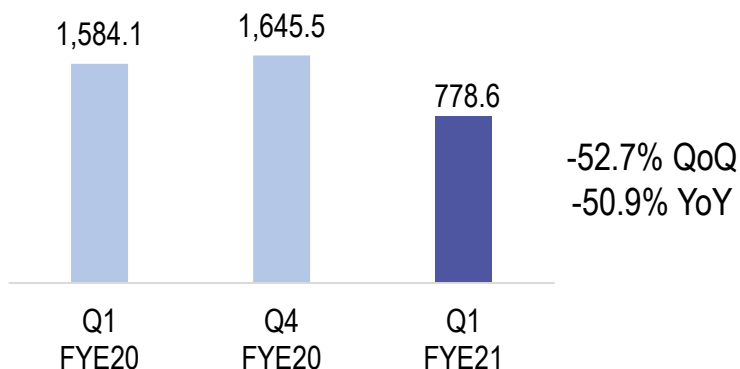
- ❖ Interest income, profit revenue & finance charges increased by 9.2% YoY
- ❖ Total fee income decreased by 47.4% YoY
- ❖ Impairment loss provision increased by 86.8% YoY due to delinquency movement during MCO

# Income Statement

Top-line and bottom-line showed lower trend; major disruptions to Company's operations nationwide during MCO

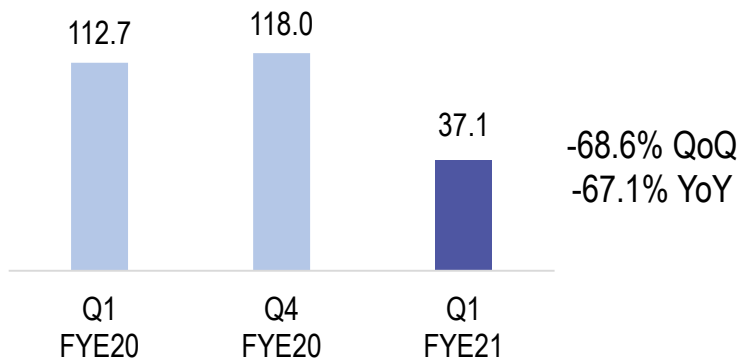
## Total Transaction & Financing Volume

(RM mil)



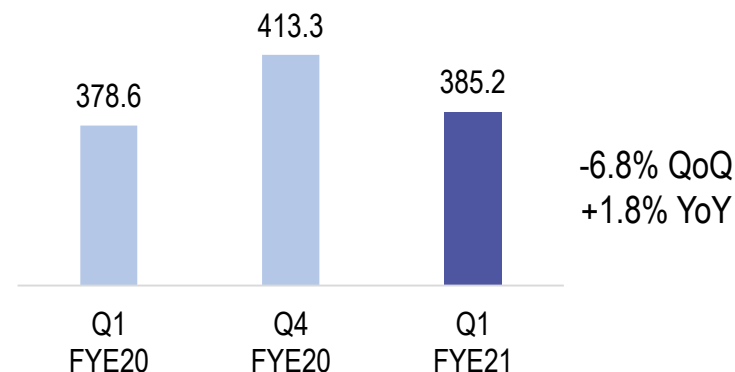
## PBT

(RM mil)



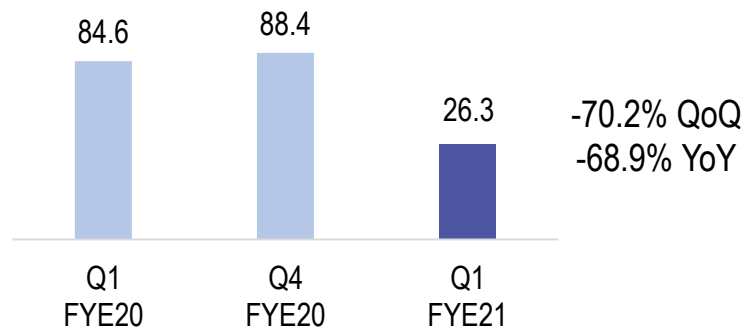
## Revenue

(RM mil)



## PAT

(RM mil)

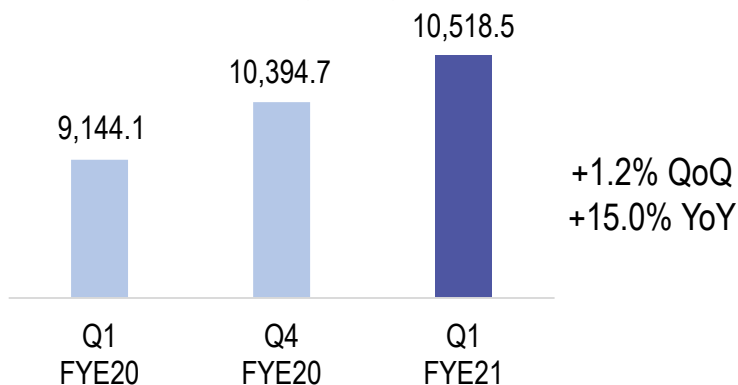


# Balance Sheet

Higher CAR following the issuance of RM200 mil Subordinated Sukuk

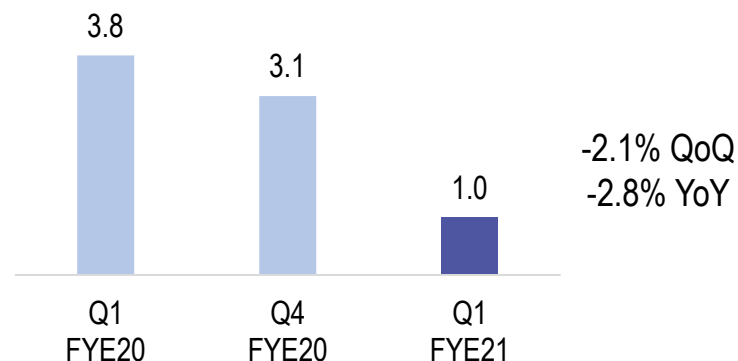
## Gross Financing Receivables

(RM mil)



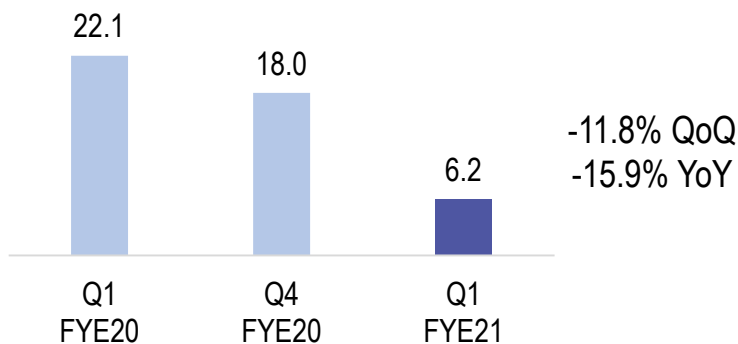
## ROA

(%)



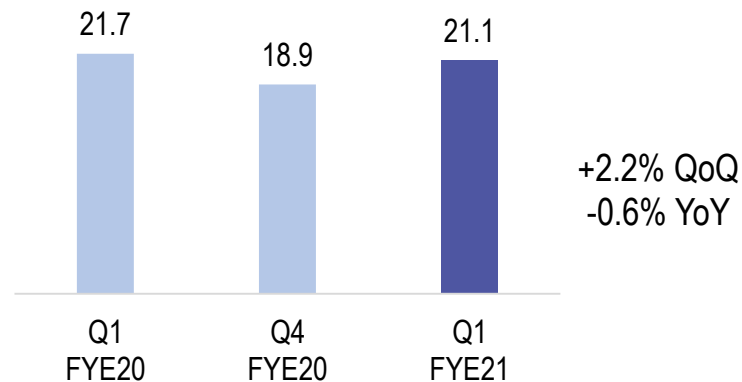
## ROE

(%)



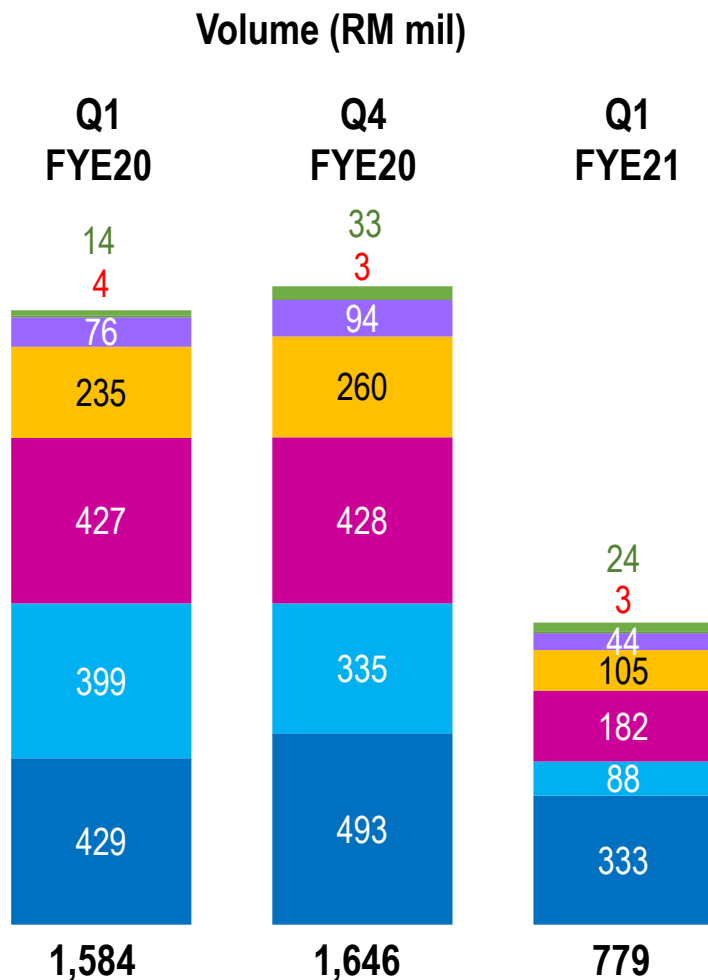
## CAR

(%)



# Total Transaction & Financing Volume

E-money stood out with highest growth rate YoY while most products registered lower sales



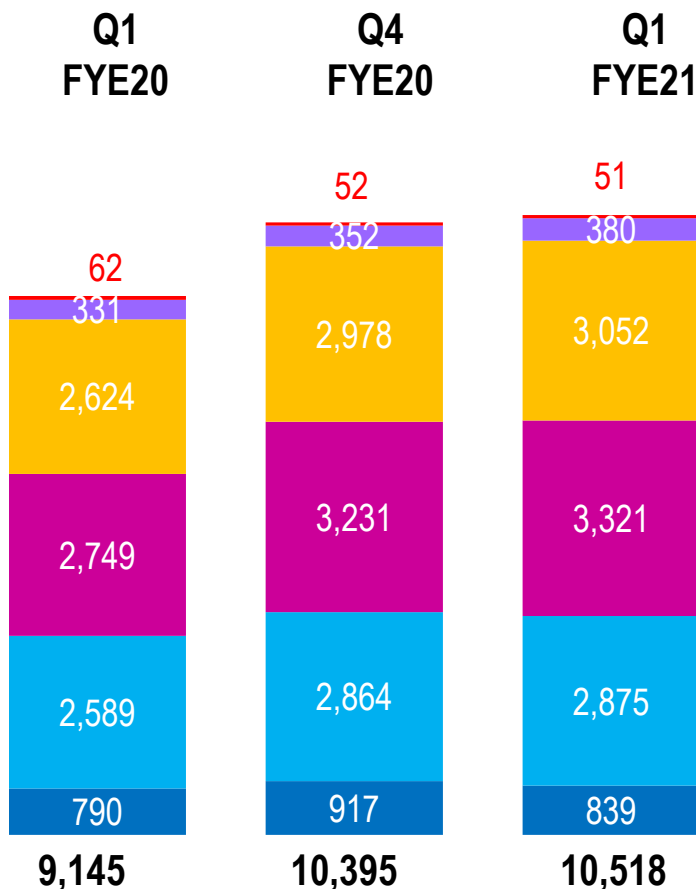
Products	QoQ (%)	YoY (%)
Credit Card	-32.5	-22.4
Personal Financing	-73.8	-77.9
Motorcycle Financing	-57.5	-57.4
Auto Financing	-59.6	-55.3
Objective Financing	-53.0	-42.1
SME Financing	0.7	-25.0
E-money	-26.4	+71.4
<b>Total</b>	<b>-52.7</b>	<b>-50.9</b>



# Total Financing Receivables

Receivables grew marginally QoQ by 1.2% due to lower Transaction & Financing Volume

Gross Receivables (RM mil)



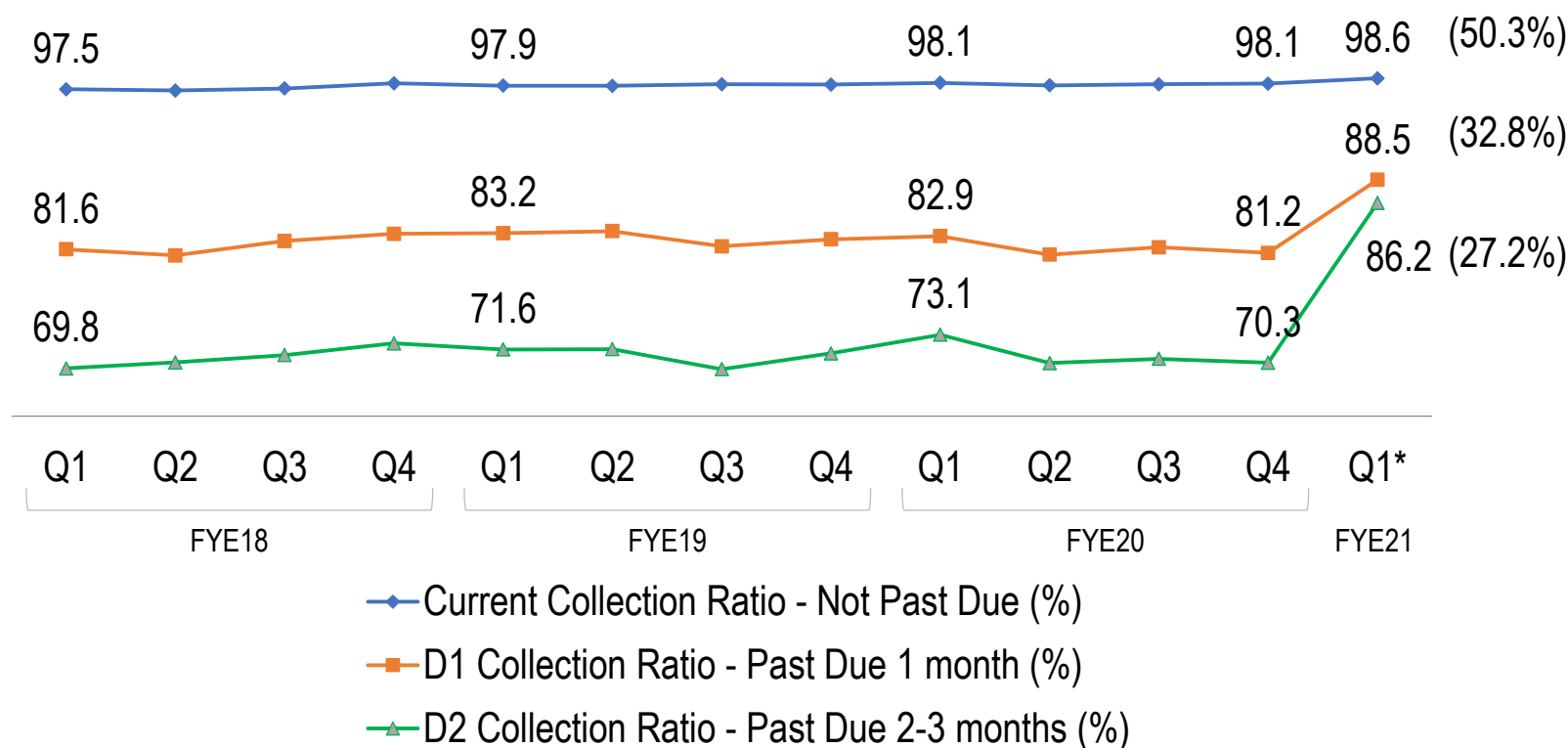
Receivables Movement (%)		QoQ	YoY
Credit card		-8.5	+6.2
Personal Financing		+0.4	+11.0
Motorcycle Financing		+2.8	+20.8
Auto Financing		+2.5	+16.3
Objective Financing		+7.9	+14.8
SME Financing		-1.9	-17.7
<b>Total</b>		<b>+1.2</b>	<b>+15.0</b>

Receivables Breakdown (%)		Q1 FYE21	YoY
Credit card		8.0	-0.7
Personal Financing		27.3	-1.0
Motorcycle Financing		31.6	+1.5
Auto Financing		29.0	+0.3
Objective Financing		3.6	-
SME Financing		0.5	-0.2
<b>Total</b>		<b>100.0</b>	<b>-</b>

# Receivables Collection

Collection activities affected by MCO and loan deferment programme

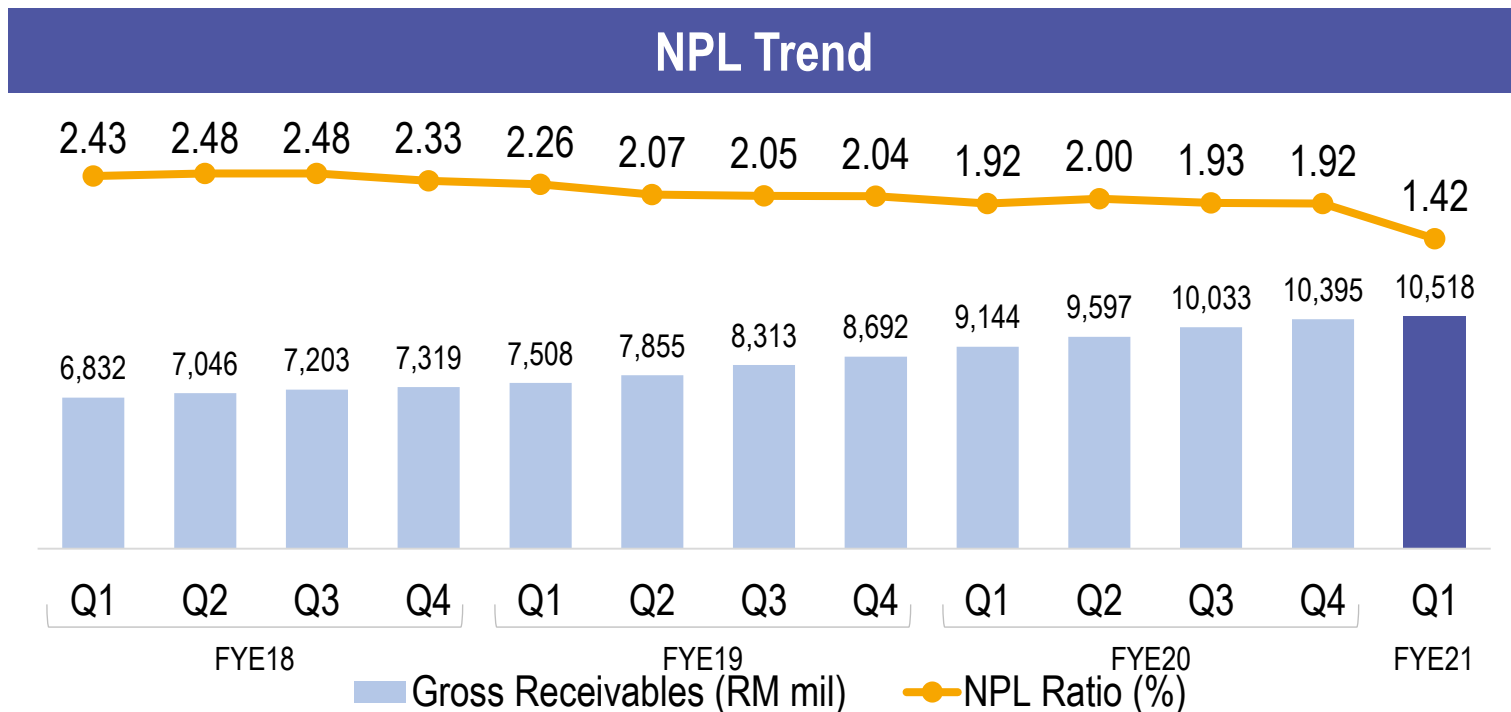
## Receivables Collection Trend



\*Q1 FYE2021 : collection ratio with payment holidays (actual collection ratio)

# Non-Performing Loans (NPL)

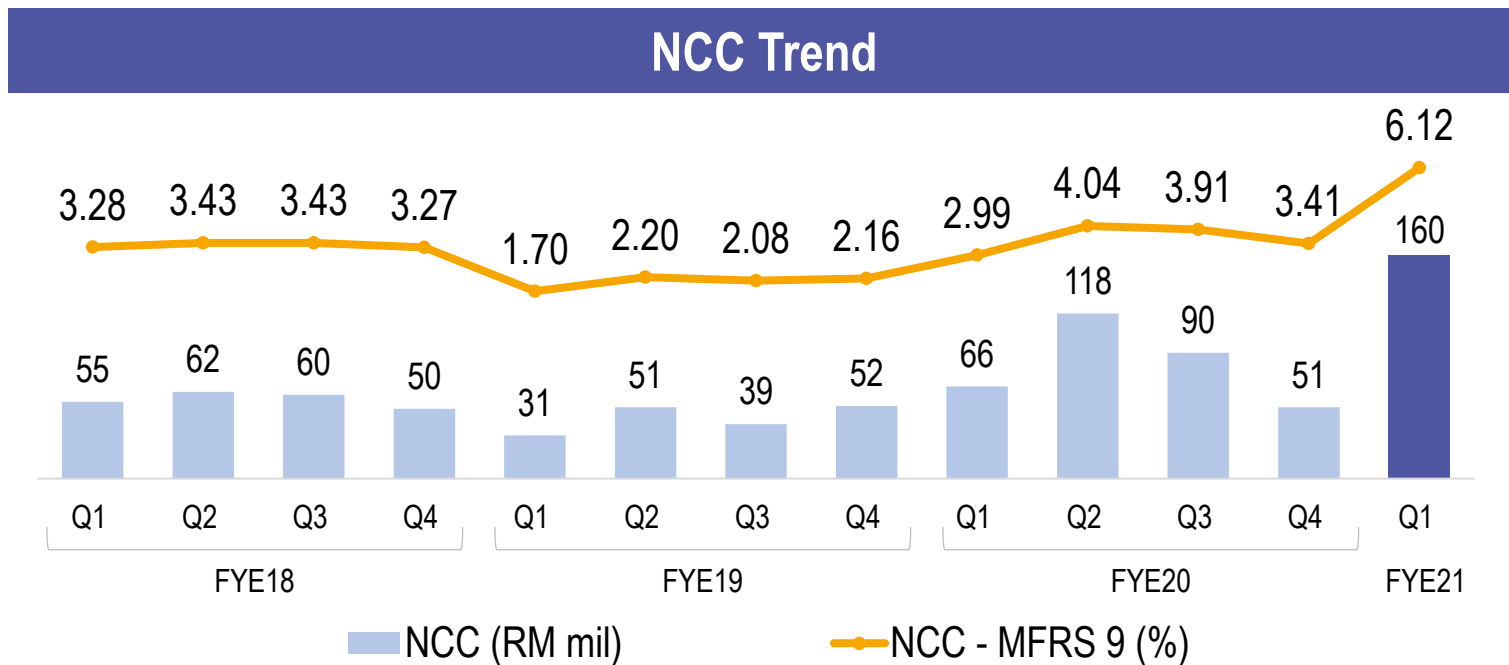
Lower NPL as customer's delinquency status remain unchanged for those who are eligible for loan deferment programme



(RM mil)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	FYE2018				FYE2019				FYE20				FYE21
Receivables	6,832	7,046	7,203	7,319	7,508	7,855	8,313	8,692	9,144	9,597	10,033	10,395	10,518
Balance D3+	166	175	179	171	170	163	171	177	175	192	194	200	150
NPL (%)	2.43	2.48	2.48	2.33	2.26	2.07	2.05	2.04	1.92	2.00	1.93	1.92	1.42

# Net Credit Cost (NCC)

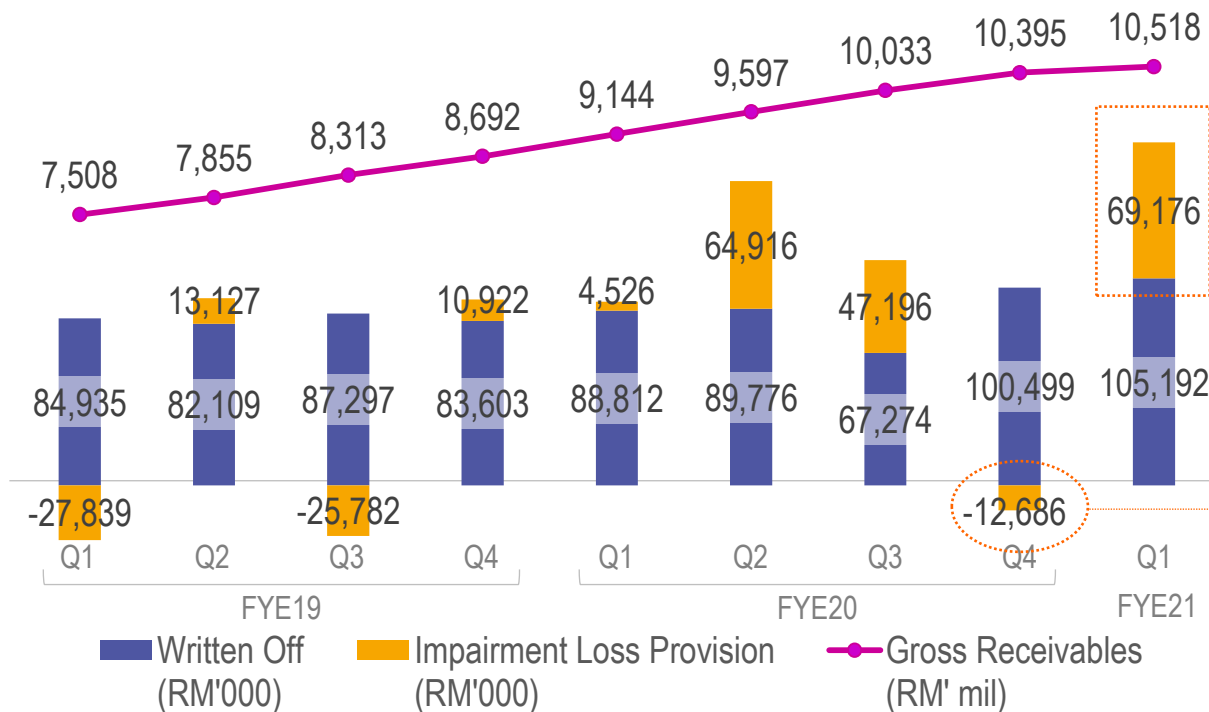
Higher NCC due to lower bad debt recovery (54% YoY) and higher IL (187% YoY)



(RM mil)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	FYE18				FYE19				FYE20				FYE21
Impairment Loss (IL)	83	85	86	82	57	95	62	95	93	155	114	88	174
(-) Bad Debt Recovered	28	23	26	32	26	44	23	43	27	37	24	37	14
NCC	55	62	60	50	31	51	39	52	66	118	90	51	160

# Impairment Loss (IL) Analysis

Written-off accounts remained relatively stable yet IL provision building up from MCO impacts



IL rose from existing delinquent movement (D1- D6) due to MCO period of RM73 mil, offset by lower D0 account movement & lower provision due to lower new sales

Reversal of RM29.8mil from refined ECL model

(RM'000)	FYE19				FYE20				FYE21	Changes QoQ	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	(RM'000)	(%)
Written Off	84,935	82,109	87,297	83,603	88,812	89,776	67,274	100,499	105,192	4,693	4.7
IL Provision	(27,839)	13,127	(25,782)	10,922	4,526	64,916	47,196	(12,686)	69,176	81,862	645.3
Total IL	57,096	95,236	61,515	94,525	93,338	154,692	114,470	87,813	174,368	86,555	98.6

# IL Analysis

Higher IL provision due to the change in delinquency movement; written-off provision moved in tandem with low collection activities after MCO

No	Breakdown of IL Provision	Q1 FYE20	Q1 FYE21	YoY	
		RM'000	RM'000	RM'000	%
1	Provision IL from new sales	49,713	26,381	-23,332	-46.9
2	Movement of delinquent / repayment	-45,187	42,795	+51,880	+114.8
3	Written off	88,812	105,192	+16,380	+18.4
<b>Total IL provision</b>		<b>93,338</b>	<b>174,368</b>	<b>+81,030</b>	<b>+86.8</b>

<b>Financing receivables</b>	<b>9,144,102</b>	<b>10,518,478</b>	<b>+1,374,376</b>	<b>+15.0</b>
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# Taxation: Appeal Status Update

No	Item	Remark	Status
i.	Filed a <b>Notice of Appeal (Form Q)</b> 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>To date, <b>hearing date has yet to be fixed.</b></li> </ul>
ii.	<b>Judicial Review – Leave application</b> ( <i>Seek permission to commence judicial review</i> )	<ul style="list-style-type: none"> <li>Kuala Lumpur High Court (KLHC) 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 hearing at Court of Appeal against the KLHC decision to dismiss leave for judicial review is fixed on 9 Oct 2019 had been vacated.</li> <li>To date, <b>hearing date has yet to be fixed.</b></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>
iv.	<b>Writ &amp; Statement of Claim</b> 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"> <li>The Company had filed a stay application and certification of urgency to suspend civil recovery proceedings filed by Government.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>The <b>case management</b> at High Court is <b>fixed on 29 Jun 2020.</b></li> </ul>



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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



## Financial Assistance Programmes

Two-month loan deferment (Apr- May) for D0-D2 customers

AEON Relief Programme for Easy Payment & PF customers

36-month installment plan for credit card customers

Refinancing or Restructuring



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FYE2021 Key Focus

# FYE 2021: Five Strategies

1

## Establishing Group's Platform

- To integrate and leverage on the AEON Group's customers database

2

## Intensification of existing Core Business

- Optimize operating profit via Digitalization
- Utilize E-KYC technology
- Improve application process via full digital platform

3

## Advancing system structure/ Core System upgrade

- The foundation of the business needs to be improved to ensure advanced operation business goes beyond efficiency & productivity

4

## Business expansion

- Expand existing business
- Explore new business opportunities

5

## Pursuing sustainability: Sustainable Development Goals (SDGs)

- SDG 9: Promote cashless and improve the User Experience / User Interface and to continuously improve systems
- SDG 4 & 5: Human Resource to ensure diversity, provide training, increase core level of competency

# FYE 2021: Three Key Projects

Key Project	Objective
 <p><b>Digitalization</b></p> <ul style="list-style-type: none"> <li>To create Digital Business Platform with the use of FinTech solutions</li> </ul>	<ul style="list-style-type: none"> <li>Achieve cost-efficiency</li> <li>Business expansion</li> <li>Create excellent user experience</li> </ul>
 <p><b>Regionalization</b></p> <ul style="list-style-type: none"> <li>To localize marketing strategy by states for the facilitation of business expansion &amp; agile decision making</li> </ul>	<ul style="list-style-type: none"> <li>Capture bigger market share</li> <li>Customize product offerings on regional basis in Malaysia</li> </ul>
 <p><b>Operational Efficiency</b></p> <ul style="list-style-type: none"> <li>To increase productivity &amp; enable the digital transformation</li> </ul>	<ul style="list-style-type: none"> <li>Achieve cost-efficiency</li> <li>Improve processing duration for better customer experience</li> </ul>

# Digital Roadmap

Create business IT environment and continuously address customer needs

## ONBOARDING

- leverage on CTOS eKYC solution
- real time authenticate individual's identity, i.e.: Digital ID, Facial Recognition



## E-APPLICATION

- Standardization E-forms
- Available on CRM system for credit card and Personal Financing



## E-SIGNATURE

- Applicable to Easy Payment, pending approval from relevant authorities



## DATA WAREHOUSE

- Data analysis
- Report management
- Credit scoring analysis



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## Appendices

# Performance Highlights

(RM mil)	Q1 FYE20	Q4 FYE20	Q1 FYE21	QoQ (%)	YoY (%)
<b>Total Transaction &amp; Financing Volume</b>	<b>1,584.1</b>	<b>1,645.5</b>	<b>778.6</b>	<b>-52.7</b>	<b>-50.8</b>
Credit Card	429.2	493.5	331.8	-32.8	-22.7
Easy Payment Financing	741.9	784.2	334.3	-57.4	-54.9
Personal Financing	398.9	335.3	88.3	-73.7	-77.9
E-Money	14.1	32.6	24.1	-26.1	70.9
<b>Total Income</b>	<b>410.2</b>	<b>454.9</b>	<b>407.0</b>	<b>-10.5</b>	<b>-0.8</b>
Operating Expenses	-222.1	-249.5	-277.5	11.2	24.9
Interest Expenses	-75.4	-87.4	-92.4	5.7	22.5
<b>Profit Before Tax</b>	<b>112.7</b>	<b>118.0</b>	<b>37.1</b>	<b>-68.6</b>	<b>-67.2</b>
Corporate Tax	-28.1	-29.6	-10.8	-63.5	-61.6
<b>Net Profit</b>	<b>84.6</b>	<b>88.4</b>	<b>26.3</b>	<b>-70.2</b>	<b>-68.9</b>

# Financial Summary

(RM mil)	Q1 FYE20	Q4 FYE20	Q1 FYE21	QoQ (%)	YoY (%)
<b>Credit Card</b>	<b>789.7</b>	<b>916.9</b>	<b>838.5</b>	<b>-8.6</b>	<b>6.2</b>
Card Purchase	726.7	856.1	779.9	-8.9	7.3
Cash Advance	63.0	60.8	58.6	-3.6	-7.0
<b>Personal Financing</b>	<b>2,588.7</b>	<b>2,864.4</b>	<b>2,875.2</b>	<b>0.4</b>	<b>11.1</b>
<b>Objective Financing</b>	<b>331.0</b>	<b>352.3</b>	<b>380.1</b>	<b>7.9</b>	<b>14.8</b>
<b>Motorcycle Financing</b>	<b>2,749.0</b>	<b>3,231.2</b>	<b>3,321.3</b>	<b>2.8</b>	<b>20.8</b>
MOPED	1,868.7	2,353.4	2,440.7	3.7	30.6
Superbike	880.3	877.8	880.6	0.3	-
<b>Auto Financing</b>	<b>2,623.5</b>	<b>2,977.5</b>	<b>3,052.0</b>	<b>2.5</b>	<b>16.3</b>
<b>SME Financing</b>	<b>62.2</b>	<b>52.3</b>	<b>51.4</b>	<b>-1.7</b>	<b>-17.4</b>
<b>Total Financing Receivables</b>	<b>9,144.1</b>	<b>10,394.6</b>	<b>10,518.5</b>	<b>1.2</b>	<b>15.0</b>
Impairment Loss	-591.1	-690.5	-759.7	10.0	28.5
Other Assets	640.3	730.6	781.9	7.0	22.1
<b>Total Assets</b>	<b>9,193.3</b>	<b>10,434.7</b>	<b>10,540.7</b>	<b>1.0</b>	<b>14.7</b>
<b>Total Liabilities</b>	<b>7,296.9</b>	<b>8,677.3</b>	<b>8,817.3</b>	<b>1.6</b>	<b>20.8</b>
<b>Shareholders' Fund</b>	<b>1,896.4</b>	<b>1,757.4</b>	<b>1,723.4</b>	<b>-1.9</b>	<b>-9.1</b>



# Operating Income

(RM mil)	Q1 FYE20	Q4 FYE20	Q1 FYE21	QoQ (%)	YoY (%)
Credit Card	31.7	37.9	34.1	-10.0	7.6
Personal Financing	121.0	129.3	119.3	-7.7	-1.4
Objective Financing	21.9	21.3	19.6	-8.0	-10.5
Motorcycle Financing	121.7	134.4	124.4	-7.4	2.2
Auto Financing	81.0	87.8	85.9	-2.2	6.0
SME Financing	1.3	1.0	0.5	-50.0	-61.5
E money	-	1.6	1.4	-12.5	-
<b>Total Revenue</b>	<b>378.6</b>	<b>413.3</b>	<b>385.2</b>	<b>-6.8</b>	<b>1.7</b>
Other Operating Income	31.6	41.6	21.8	-47.6	-31.0
<b>Total Operating Income</b>	<b>410.2</b>	<b>454.9</b>	<b>407.0</b>	<b>-10.5</b>	<b>-0.8</b>

# Total Expenses

(RM mil)	Q1 FYE20	Q4 FYE20	Q1 FYE21	QoQ (%)	YoY (%)
Impairment Loss on Receivables	93.3	87.8	174.4	+98.6	+86.9
Personnel Expenses	55.1	65.1	35.9	-44.9	-34.8
Advertisement & Promotion (A&P)	24.0	32.5	12.2	-62.5	-49.2
Other Operating Expenses	49.7	64.1	55.0	-14.2	+10.7
<b>Operating Expenses</b>	<b>222.1</b>	<b>249.5</b>	<b>277.5</b>	<b>+11.2</b>	<b>+24.9</b>
Finance Cost	75.4	87.4	92.4	+5.7	+22.5
<b>Total Expenses</b>	<b>297.5</b>	<b>336.9</b>	<b>369.9</b>	<b>+9.8</b>	<b>+24.3</b>

# Financial Indicators

(RM mil)	FYE18	FYE19	FYE20	Q1 FYE20	Q1 FYE21	YoY (%)
PBT	398.3	472.2	390.4	112.7	37.1	-67.1
PAT	300.1	354.6	292.0	84.6	26.3	-68.9
Weighted average no. of ordinary shares (mil unit)	200.3	255.3	255.3	255.3	255.3	-
Basic EPS (RM)	1.4	1.3	1.1	1.3	0.4	-69.2
NTA per share (RM)	6.4	6.0	6.1	6.2	6.0	-3.2
ROE (%)*	22.6	22.1	18.0	22.1	6.2	-15.9
ROA (%)*	4.0	4.3	3.1	3.8	1.0	-2.8
Capital ratio against receivables (%)	25.1	22.4	18.9	21.7	21.1	-0.6
Debt-to-Equity Ratio (x)	3.0	3.4	4.6	3.6	4.8	+1.2x
Share Price (RM)	13.5	16.5	13.8	16.1	9.0	-44.1
PER (x)	9.4	11.9	12.9	12.1	24.3	+12.2x
Market Capitalisation (mil)	3,344	4,149	3,500	4,039	2,278	-43.6

\* Compute based on annualised basis.



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# Thank You