



AEON CREDIT SERVICE

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

RM14.84

Share Price
(as at 20 Dec 2018)

RM16.46/ 12.10

52W High/ Low

RM3.72 bil

Market Capitalisation

250.73 mil

Share Capital

5

Regional Offices

68

Branches & Service Centres

12,000

Merchant Outlets Nationwide

4.6 mil

Card Members
(Credit Card, Membership from
AEON Express Card &
AEON Big)

Economic Indicators

4.7%

Gross Domestic Product ▼
(Forecast for 2019)

3.25%

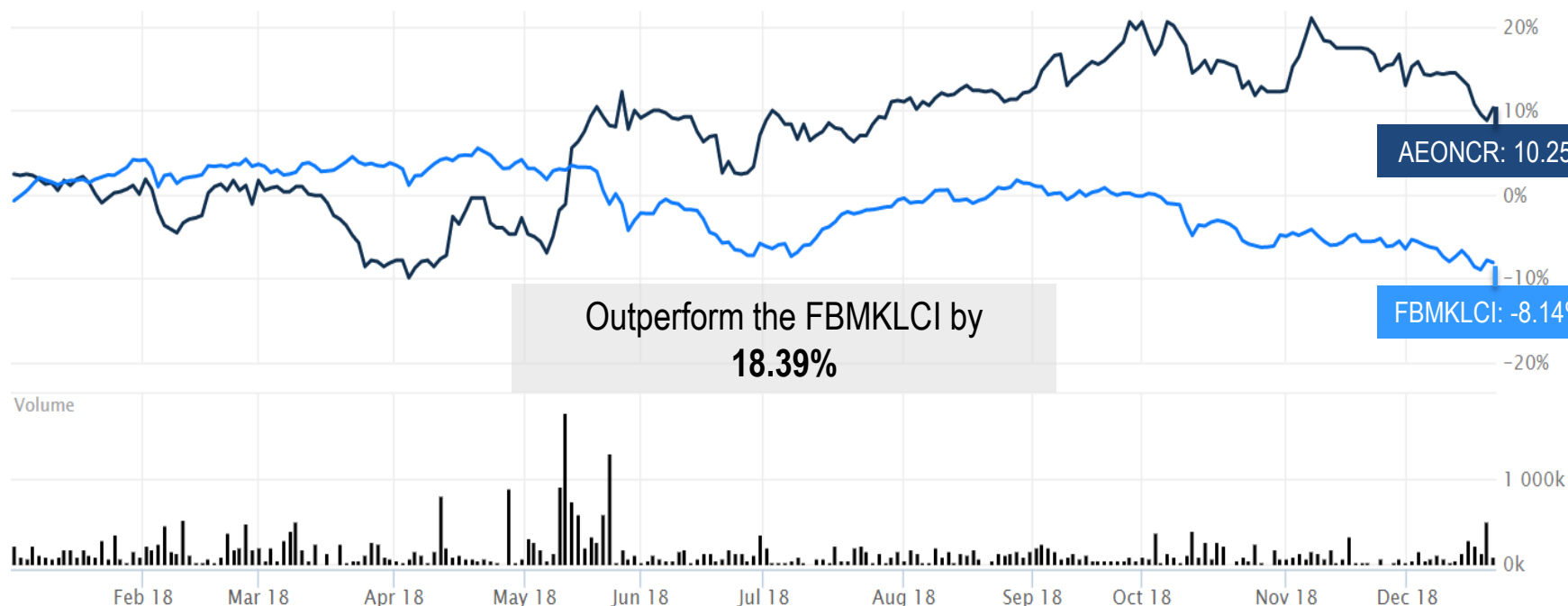
Overnight Policy Rate ◀▶
(Forecast for 2019)

108.8 pt

Consumer Sentiment Index ▼
(as of 3Q18)

RM 4.14

USD/ MYR (as of 3Q18)



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

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

“ 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)

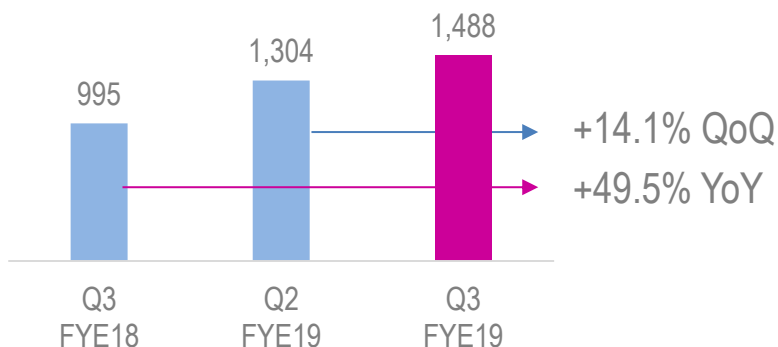
NPL
2.05%

Income Statement

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

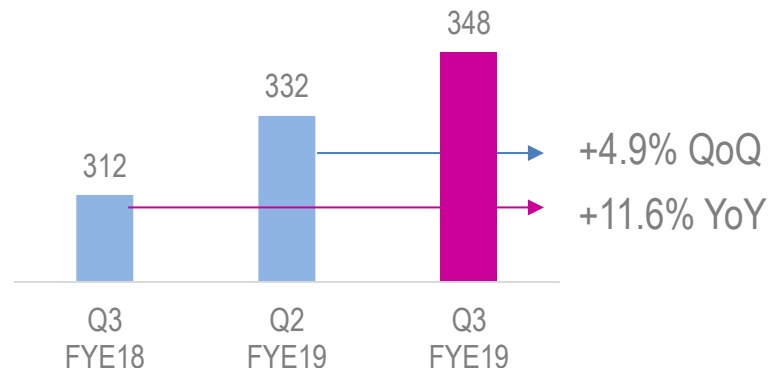
Total Transaction & Financing Volume

(RM mil)



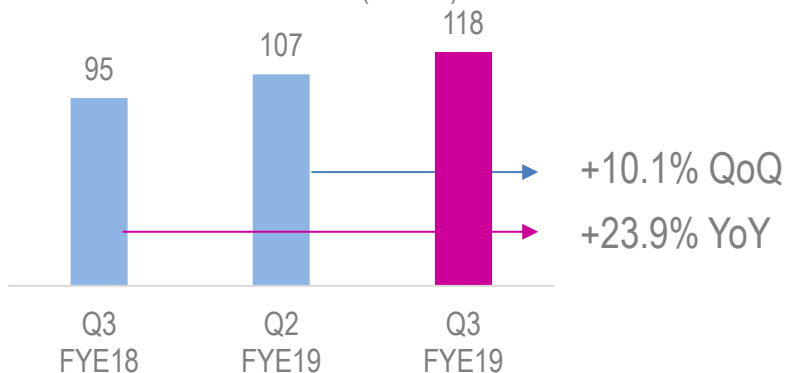
Revenue

(RM mil)



PBT

(RM mil)



PAT

(RM mil)

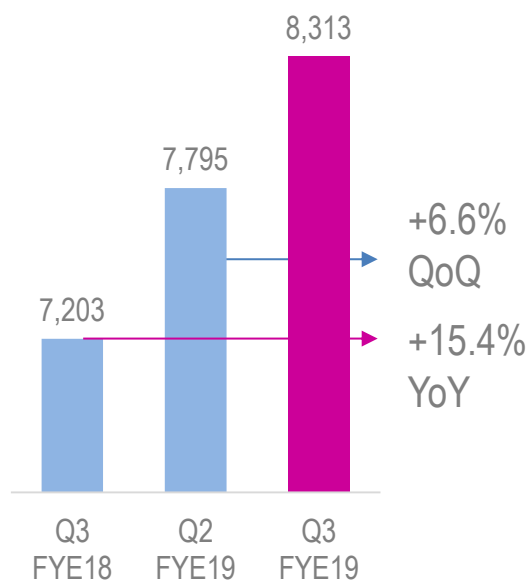


Balance Sheet

Remains healthy with YoY financing receivables growth

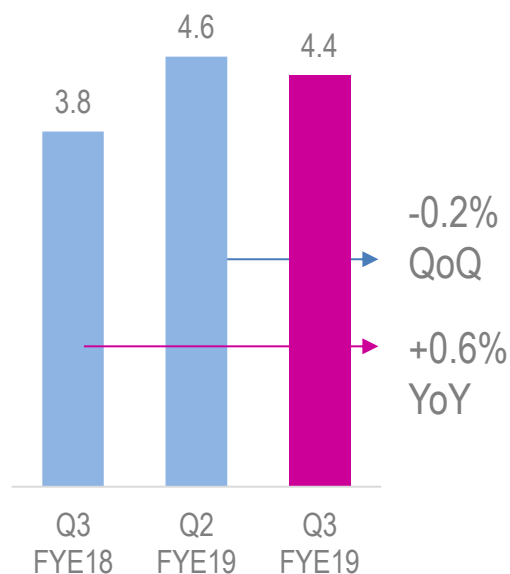
Total Financing Receivables

(RM mil)



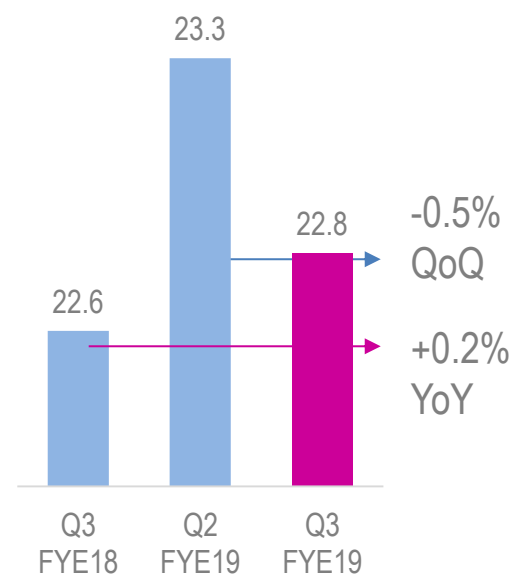
ROA

(%)



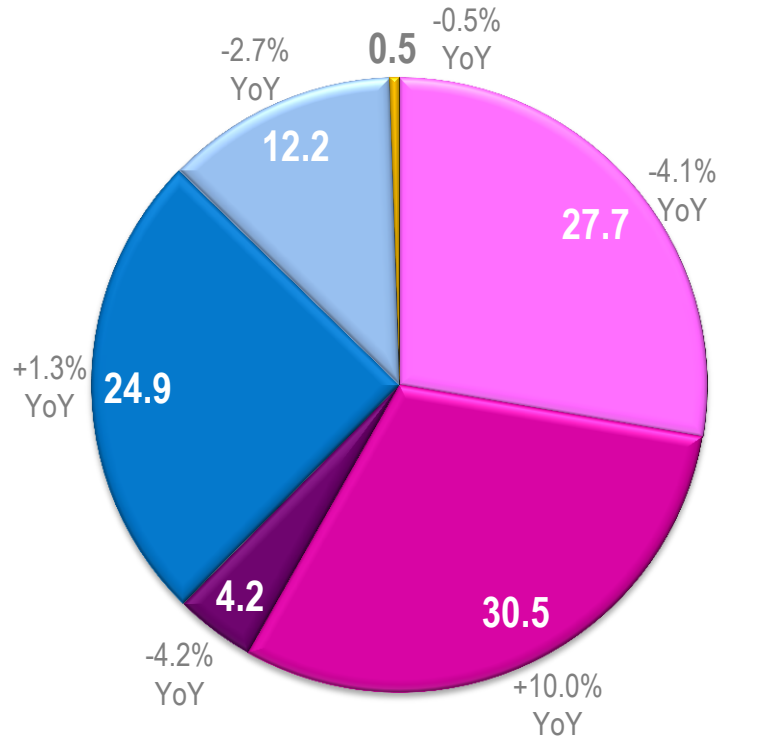
ROE

(%)



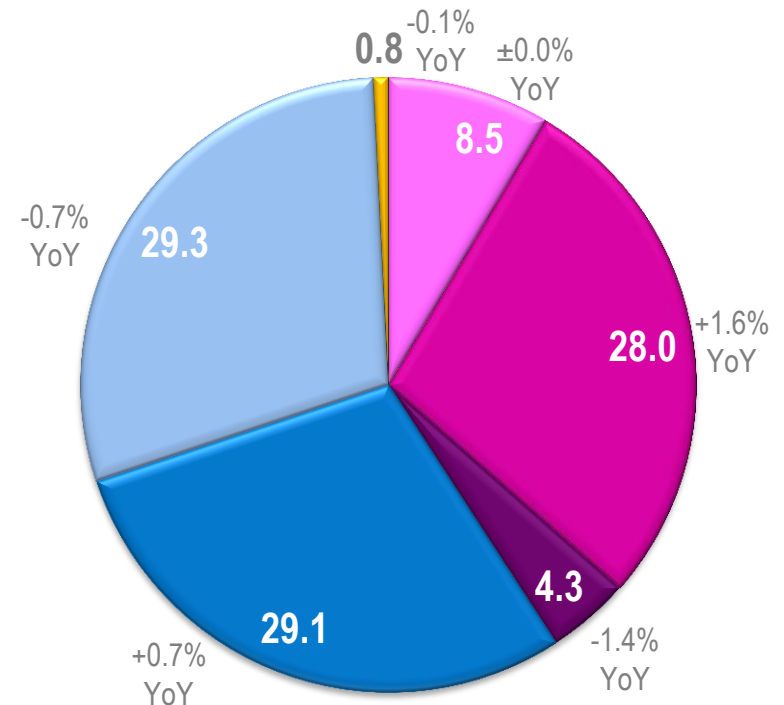
Segmental Breakdown Summary: Q3 FYE19

Total Transaction & Financing Volume (%)



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

Total Financing Receivables (%)

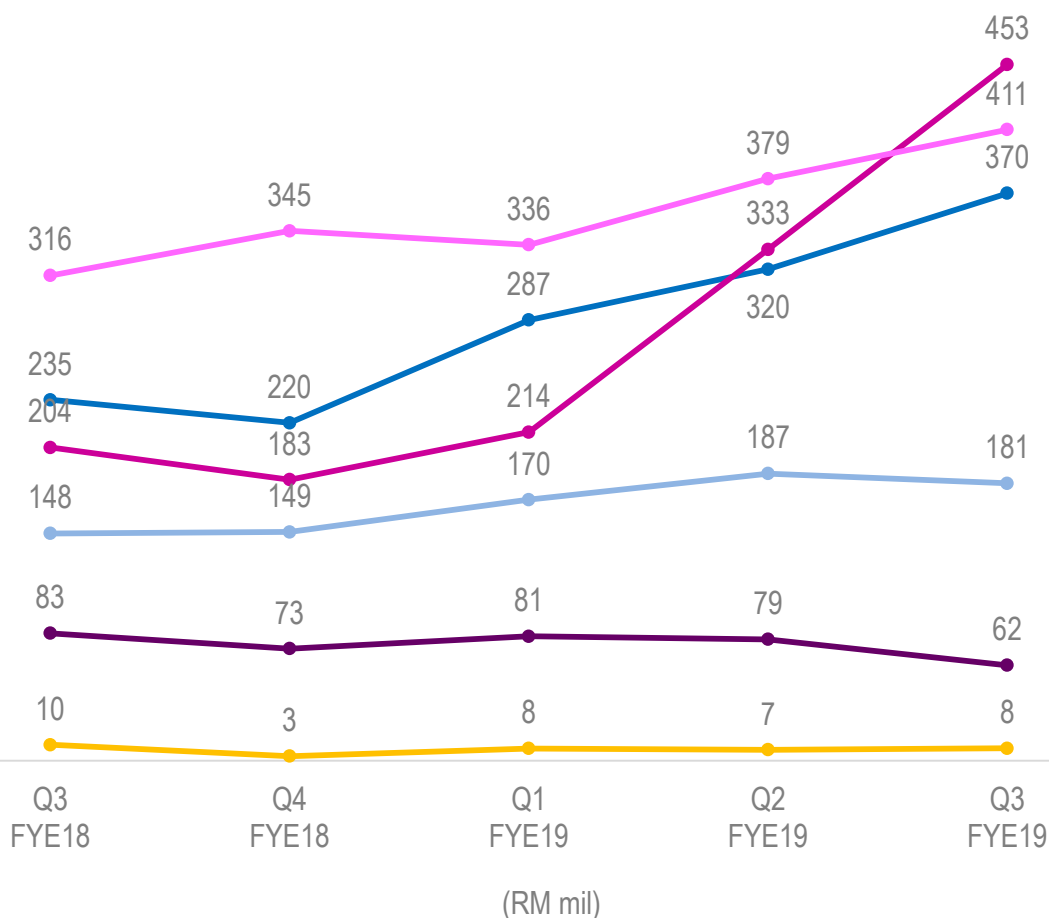


- Credit Card
- Personal Financing
- Objective Financing
- Motorcycle Financing
- Auto Financing
- SME Financing

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

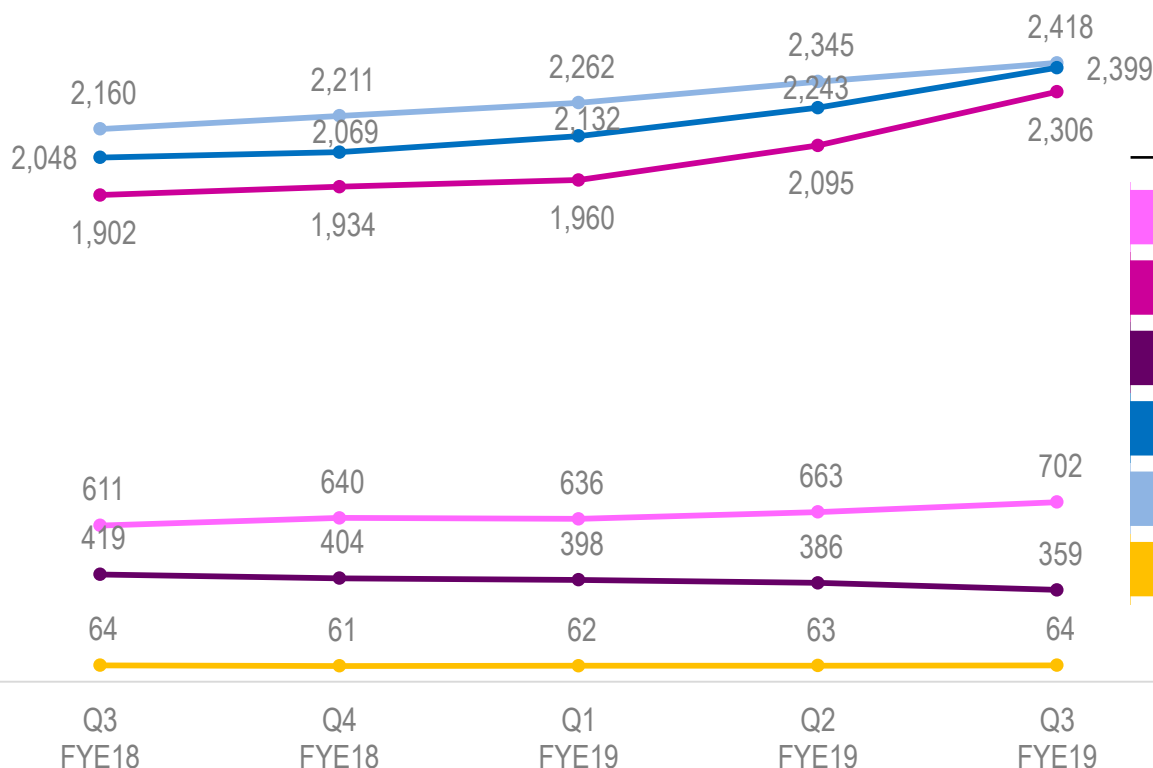


Segment	YoY (%)	QoQ (%)
Credit card	+30%	+8%
Personal Financing	+122%	+36%
Objective Financing	-25%	-21%
Motorcycle Financing	+57%	+15%
Auto Financing	+22%	-3%
SME Financing	-22%	+13%

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

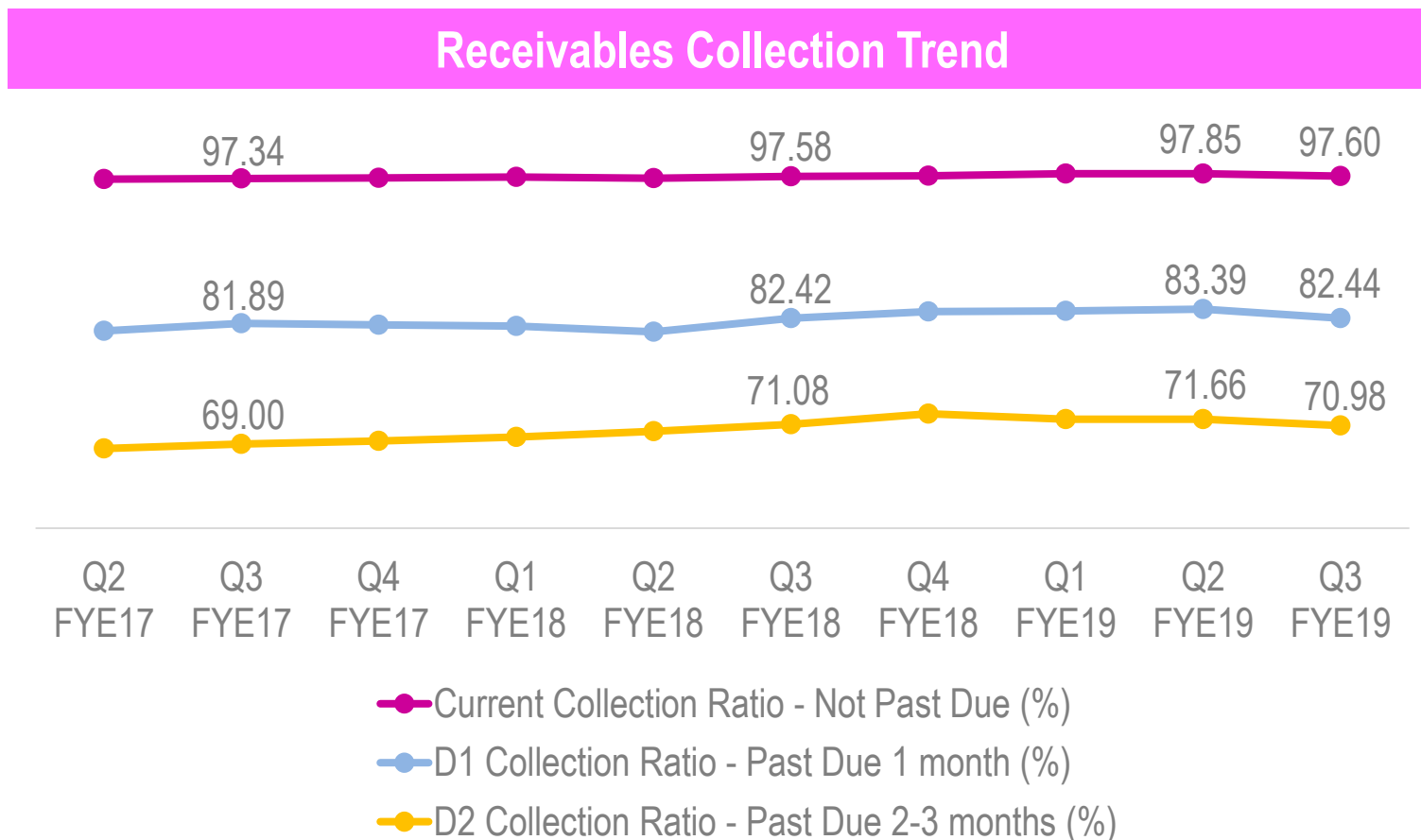


(RM mil)

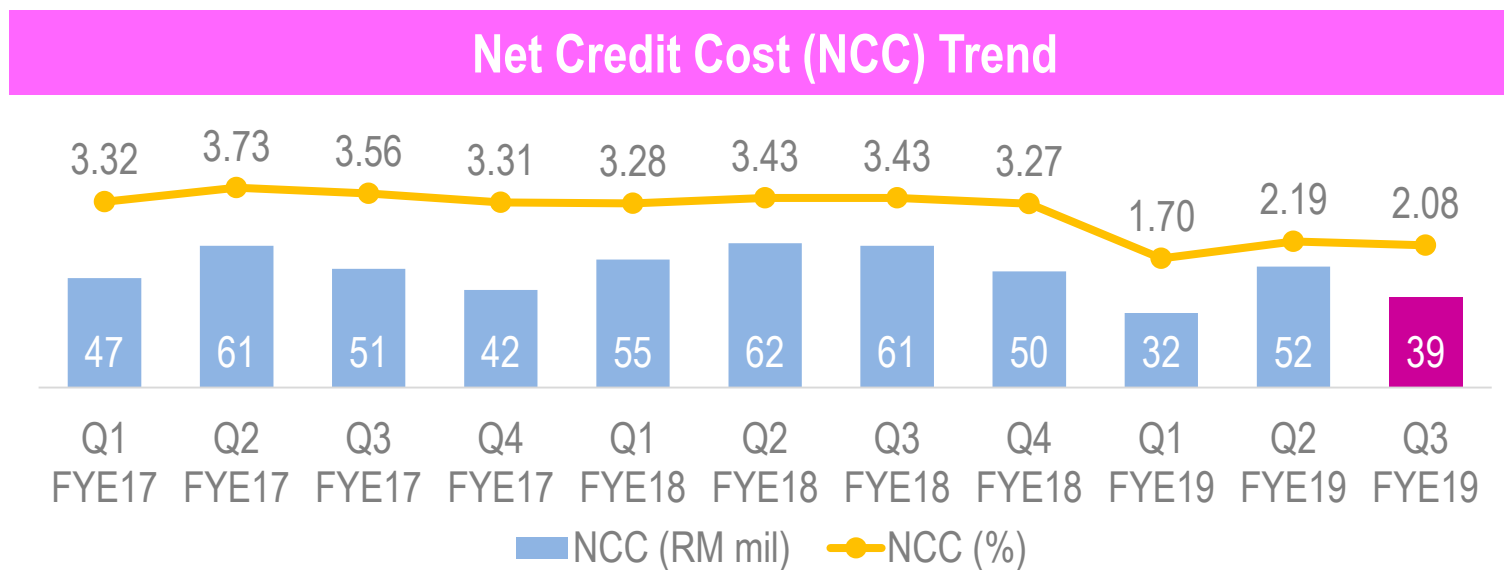
Segment	YoY (%)	QoQ (%)
Credit card	+15%	+6%
Personal Financing	+22%	+10%
Objective Financing	-13%	-7%
Motorcycle Financing	+18%	+7%
Auto Financing	+13%	+3%
SME Financing	+1%	+2%

Stable collection ratio

Derived from the strengthening of new receivable quality & collection operation



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
NCC	47	61	51	42	55	62	61	50	32	52	39

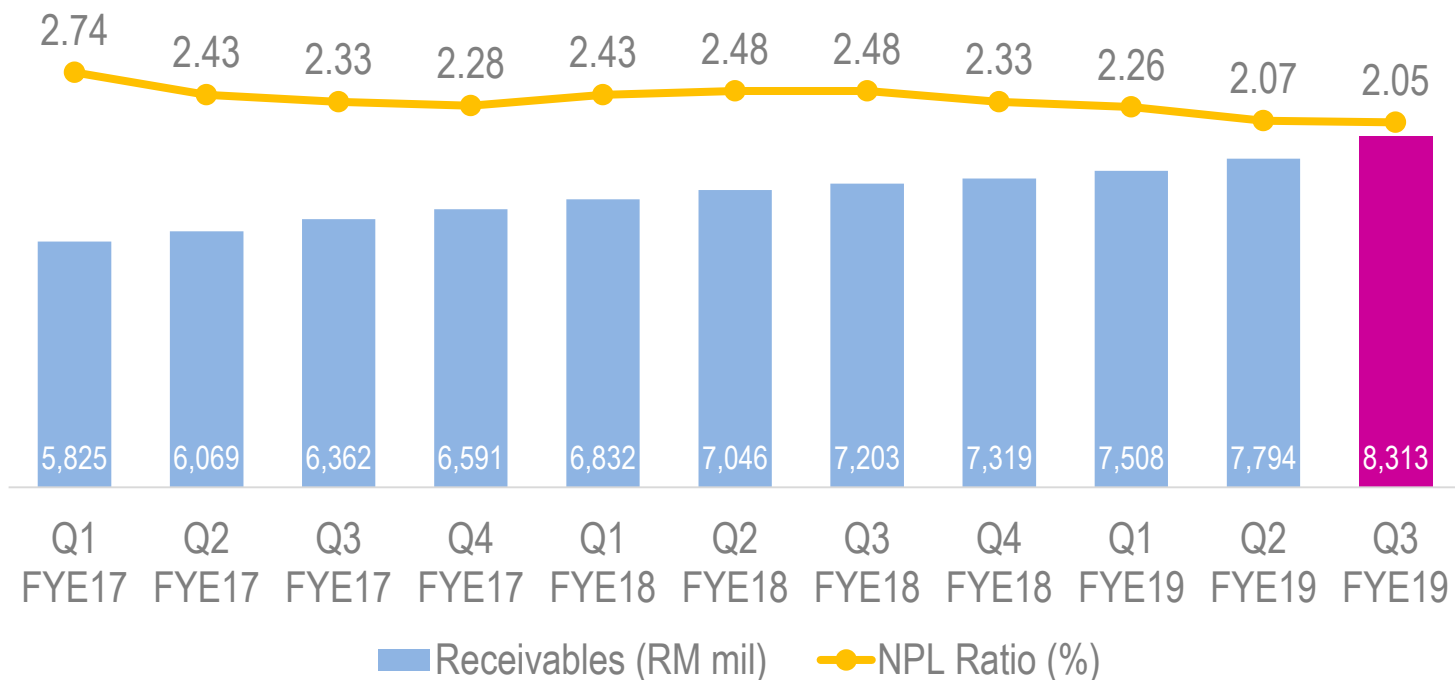
* Decrease in Impairment Loss in Q1FYE19 due to MFRS 9 adoption with effect from 1 March 2019

Non-performing Loans

Well-managed NPL

Due to collection improvement from new transactions & bad debts

Non-performing Loans (NPL) Trend



Key Activity Updates

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】

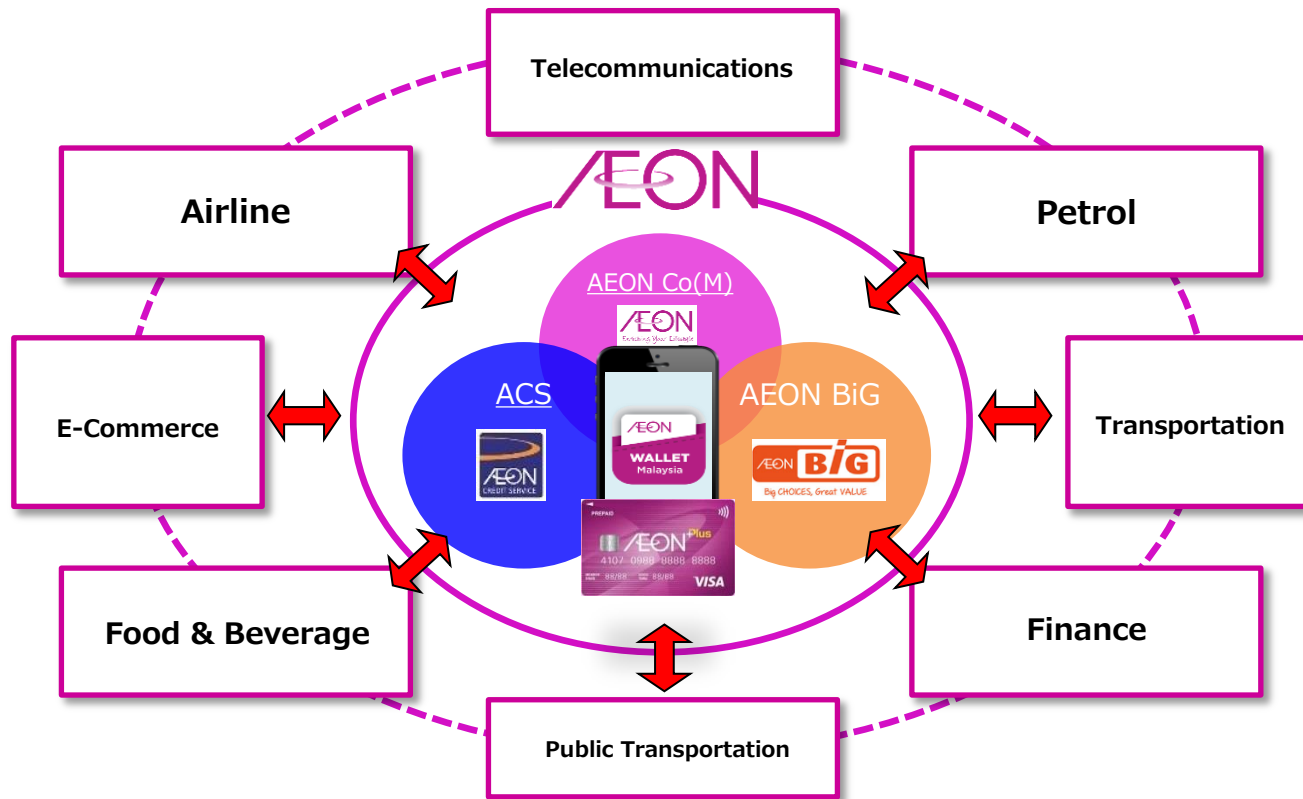
As at 20 Dec 18	No. of Store	Kiosk
AEON Co (include Maxvalu)	40	30
AEON Big	22	22
AEON Wellness	62	0
AEON Mall Tenant	75	0
Total	199	52

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* PERBAYARAN MINIMUM

RM100K* PERBAYARAN 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

MAXIMUM 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

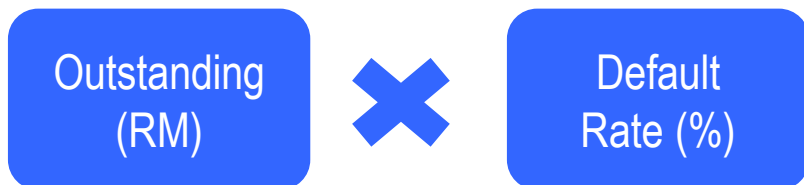
FIND OUT MORE

Expanding by introducing customised products to M40 customers

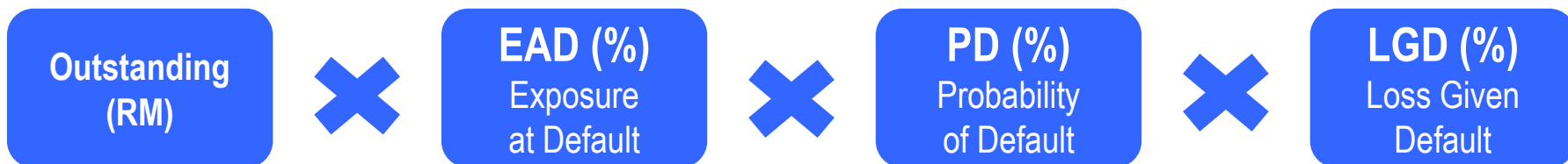
Key Action: MFRS 9

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】

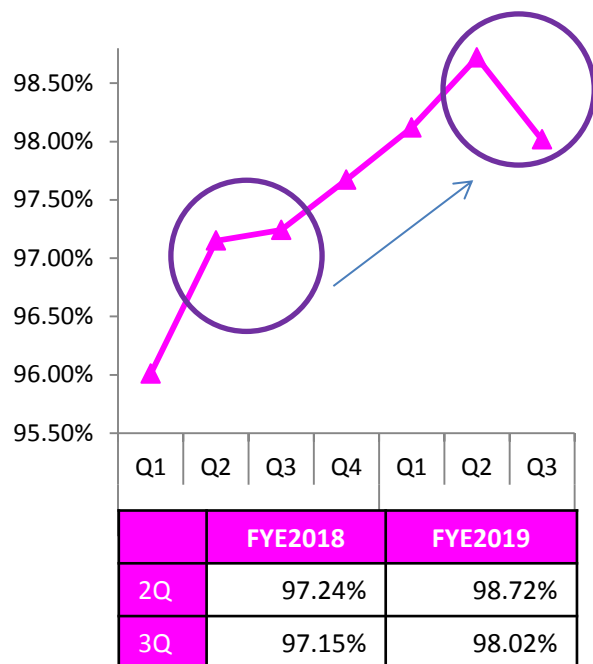
New Receivables	EAD	PD	LGD
Continually accumulate quality receivables by increasing the transactions from M40 customer segment	Improve new receivables collection ratio	Improve delinquency collection to maintain at the current status	<ul style="list-style-type: none"> ▪ Improve NPL collection operation, ▪ Written off account disposal to optimize profit and impairment loss effect
	EAD/PD		
	Review product scheme (tenure and pricing) based on customer's risk profile		

Key Action: MFRS 9 (cont'd)

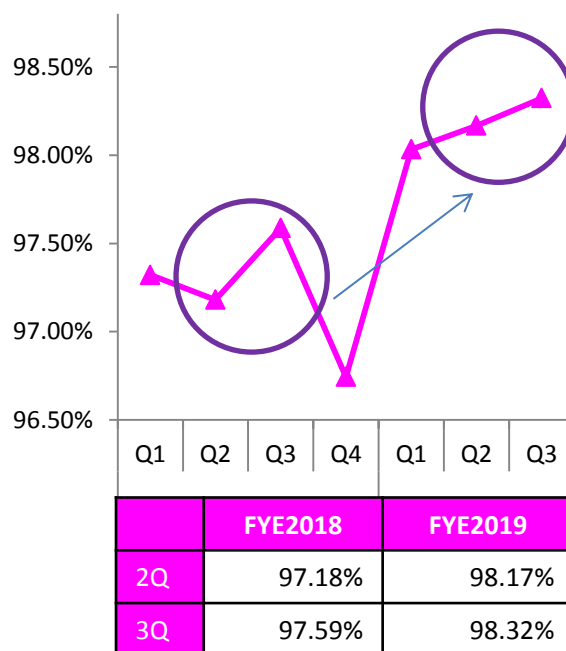
FYE19's key focus on new receivables quality
YoY sales collection showed improvement

New Sales Collection Ratio

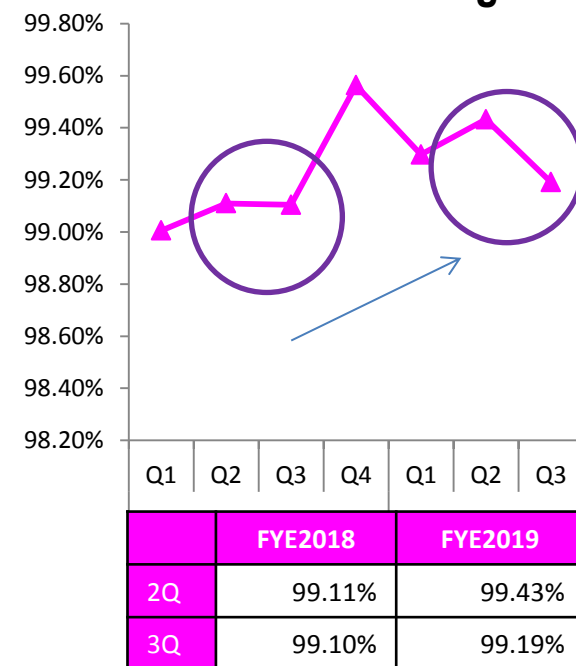
Credit Card



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.】

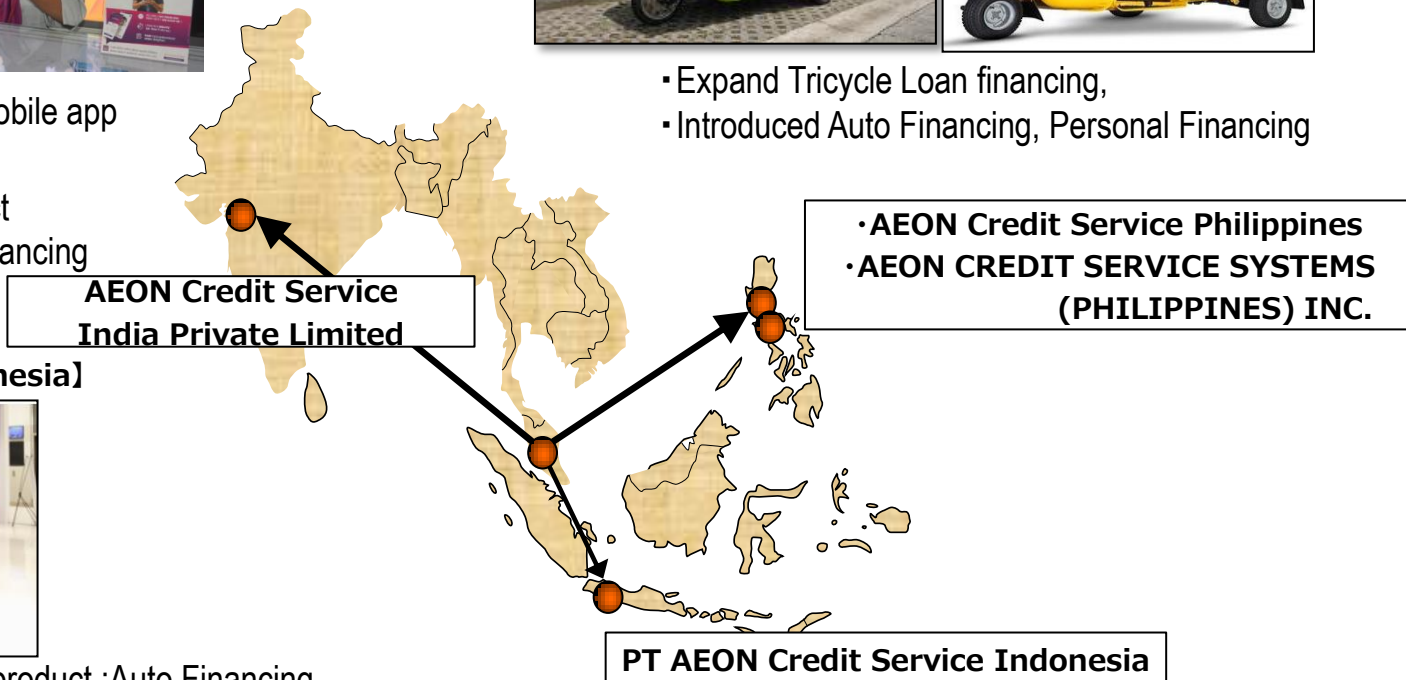


- Expand Tricycle Loan financing,
- Introduced Auto Financing, Personal Financing

【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"> The Company had filed a notice of appeal to dispute the additional assessments 	<ul style="list-style-type: none"> The appeal is pending the fixing of hearing date by Special Commissioners of Income Tax.
ii.	Judicial Review – Leave application	<ul style="list-style-type: none"> Kuala Lumpur High Court dismissed the application on 5 March 2018 The Company filed the Notice of Appeal on 5 March 2018 at Court of Appeal 	<ul style="list-style-type: none"> ACSM and DGIR are finalizing the terms of settlement and a Case Management is fixed on 25 Mar 2019.
iii.	Judicial Review – Stay application	<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"> Hearing date was fixed on 28 Nov 2018 has been postponed and rescheduled to 5 Apr 2019.

Appendices

Performance Highlights

(RM'000)	Q3 FYE18	Q2 FYE19	Q3 FYE19	QoQ (%)	YoY (%)	9M FYE18	9M FYE19	YoY (%)
Total Transaction & Financing Volume	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
Total Income	343,142	380,414	376,496	-1.0	9.7	1,015,403	1,111,881	9.5
Total Expenses	-190,213	-212,006	-193,899	-8.5	1.9	-551,083	-570,604	3.5
Profit Before Tax	95,307	107,233	118,072	10.1	23.9	292,969	357,068	21.9
Corporate Tax	-24,755	-26,593	-30,936	16.3	25.0	-75,220	-90,057	19.7
Net Profit	70,552	80,640	87,136	8.1	23.5	217,749	267,011	22.6

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

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

Operating Income

(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
Total Revenue	312,345	332,092	348,497	4.9	11.6	925,949	1,006,307	8.7
Other Operating Income	30,797	48,322	27,999	-42.1	-9.1	89,454	105,574	18.0
Total Operating Income	343,142	380,414	376,496	-1.0	9.7	1,015,403	1,111,881	9.5

(RM mil)	Q3 FYE18	Q2 FYE19	Q3 FYE19	QoQ (%)	YoY (%)	9M FYE18	9M FYE19	YoY (%)
- 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
Operating Expenses	189.4	212.0	193.8	-8.6	2.3	550.3	570.5	3.7
- 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
Total Expenses	247.8	273.2	258.4	-5.4	4.3	722.5	754.8	4.5

(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 ¹)	233 (238 ¹)	250 (254 ¹)
Basic/(Diluted) EPS ¹ (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 ² (%)	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

¹ 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

² (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	22.25 sen/ share
Dividend Payout	RM52.245mil	RM55.566mil
Dividend Payout Ratio	35.5%	32.0%

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THANK YOU