



# **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.

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# Financial Overview

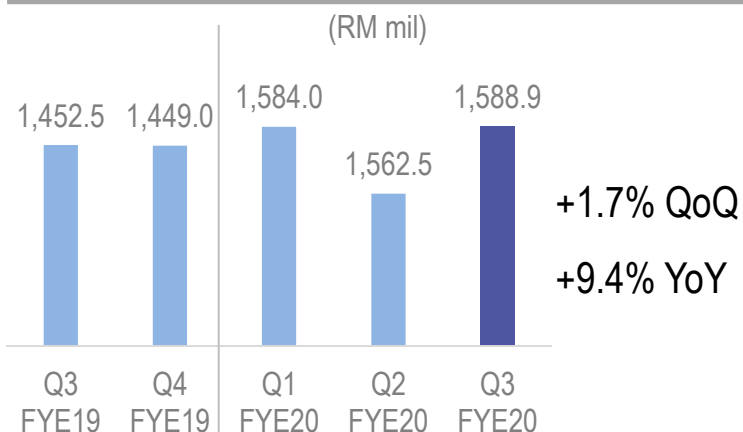
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		9M FYE19	9M FYE20	YoY Change
Profitability	PAT	RM267.0M	RM203.7M	-23.7%
	PAT (prior to IL provision)	RM589.0M	RM636.8M	+8.1%
	ROE*	22.8%	17.3%	-5.5%
	ROE* (prior to IL provision)	37.4%	41.4%	+4.0%
Asset Quality	Transaction & Financing Volume	RM3.8B	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

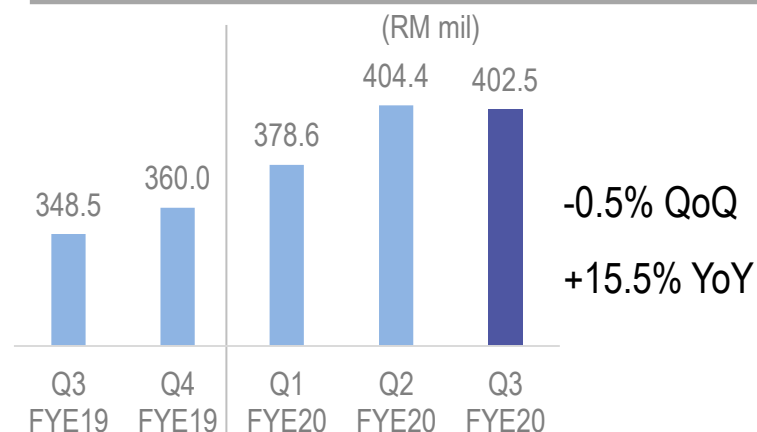
IL: Impairment Loss  
\* Annualised

Uptrend revenue moved in tandem with positive sales growth

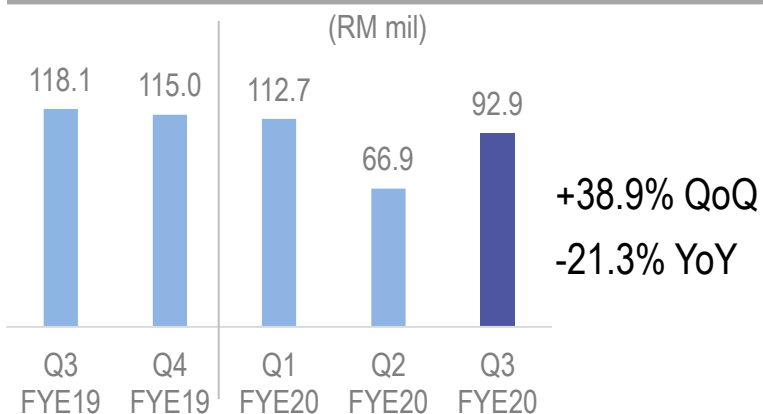
## Total Transaction & Financing Volume



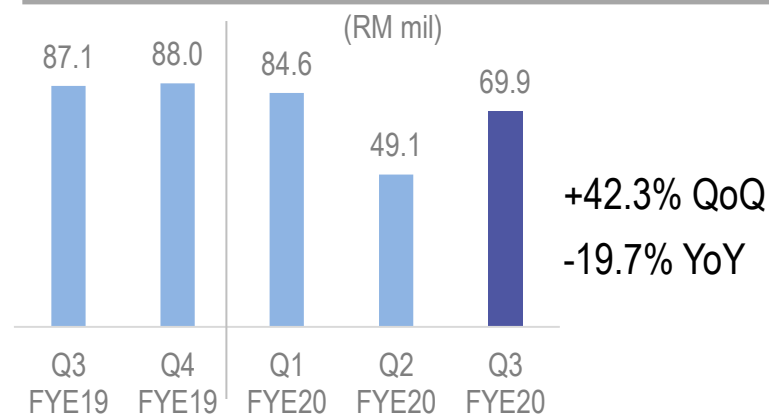
## Revenue



## PBT

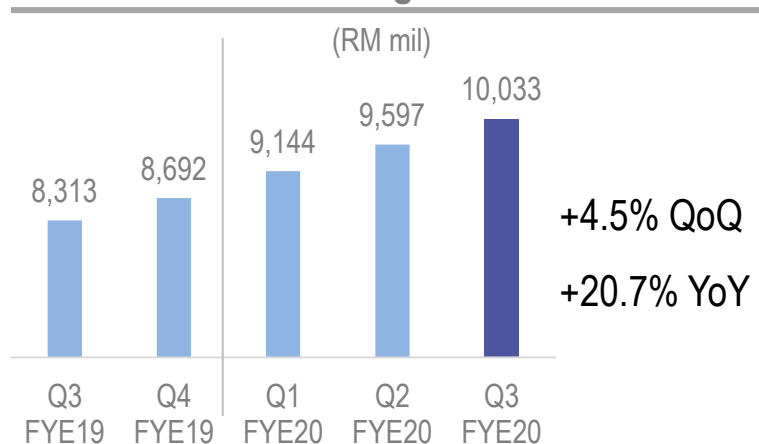


## PAT

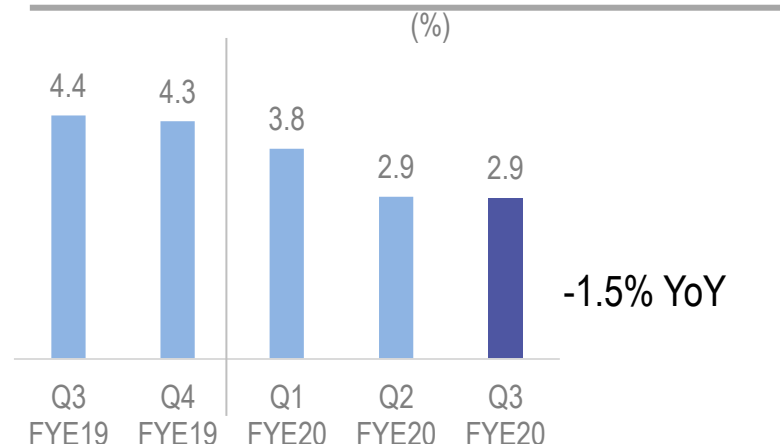


Supporting by healthy financing receivables growth

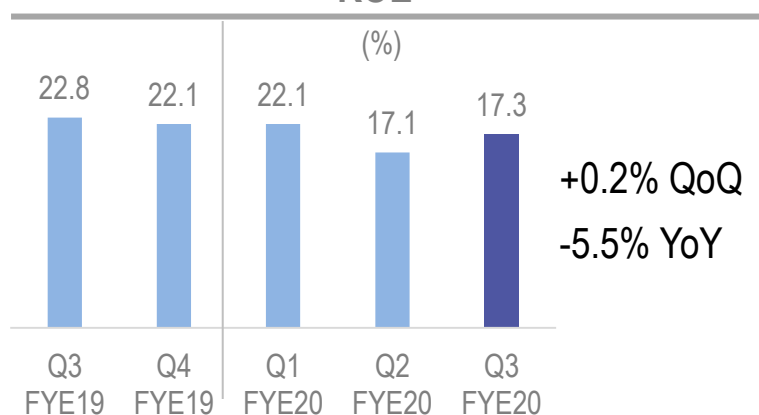
## Gross Financing Receivables



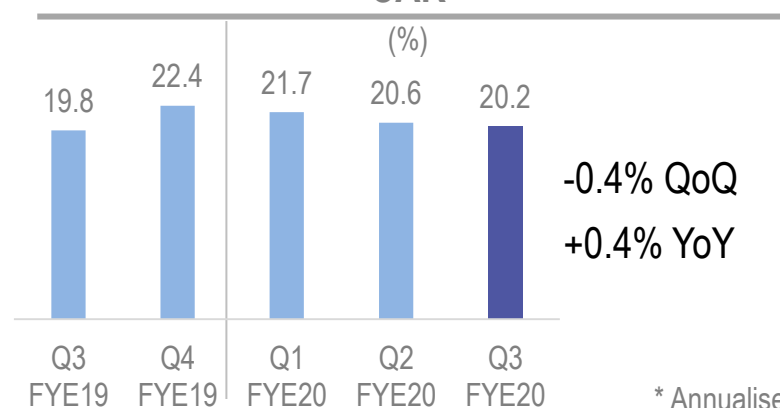
## ROA\*



## ROE\*

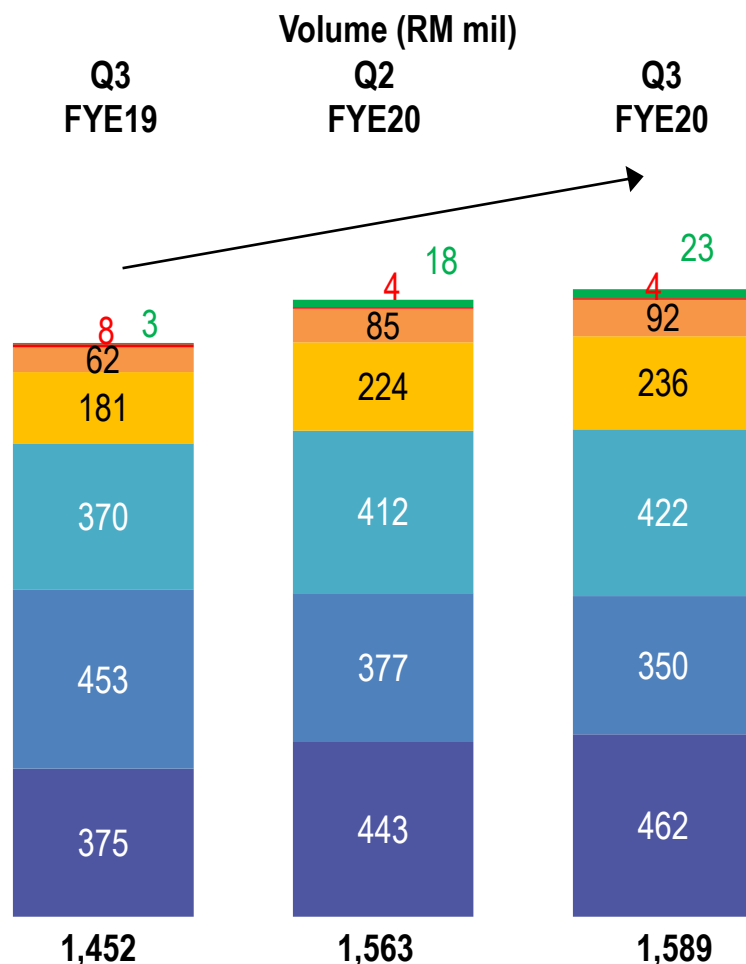


## CAR



\* Annualised

Resilient growth shown in Objective Financing & E-Money

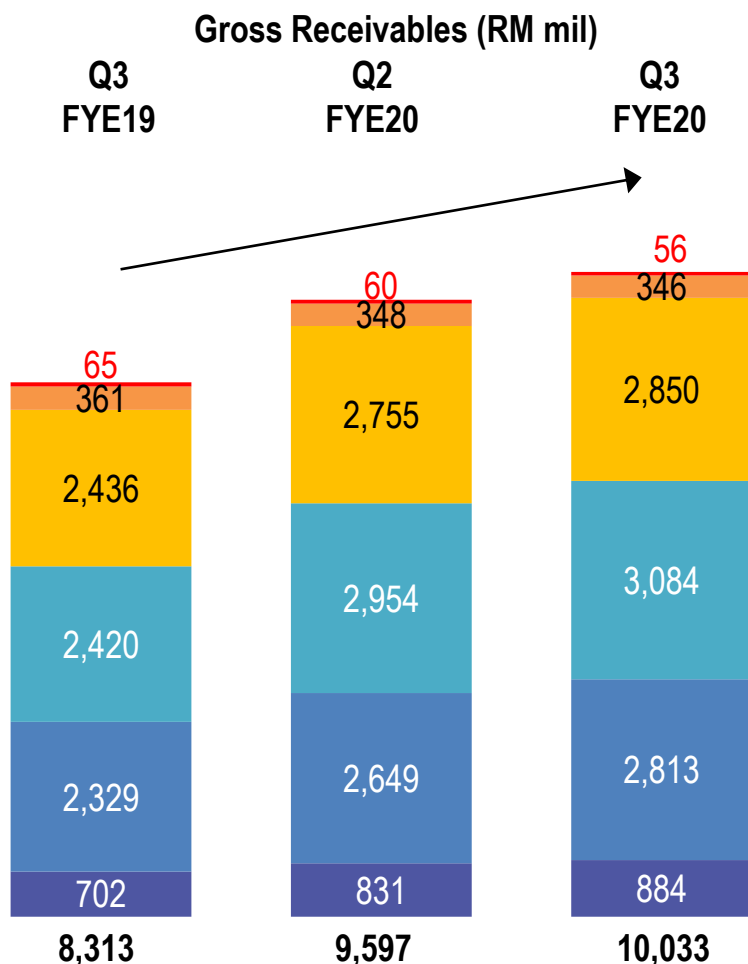


Products	QoQ (%)	YoY (%)
Credit Card	+4.3	+23.2
Personal Financing	-7.2	-22.7
Motorcycle Financing	+2.4	+14.1
Auto Financing	+5.4	+30.4
Objective Financing	+8.2	+48.4
SME Financing	-	-50.0
E-Money	+27.8	+666.7
<b>Total</b>	<b>+1.7</b>	<b>+9.4</b>



# Total Financing Receivables

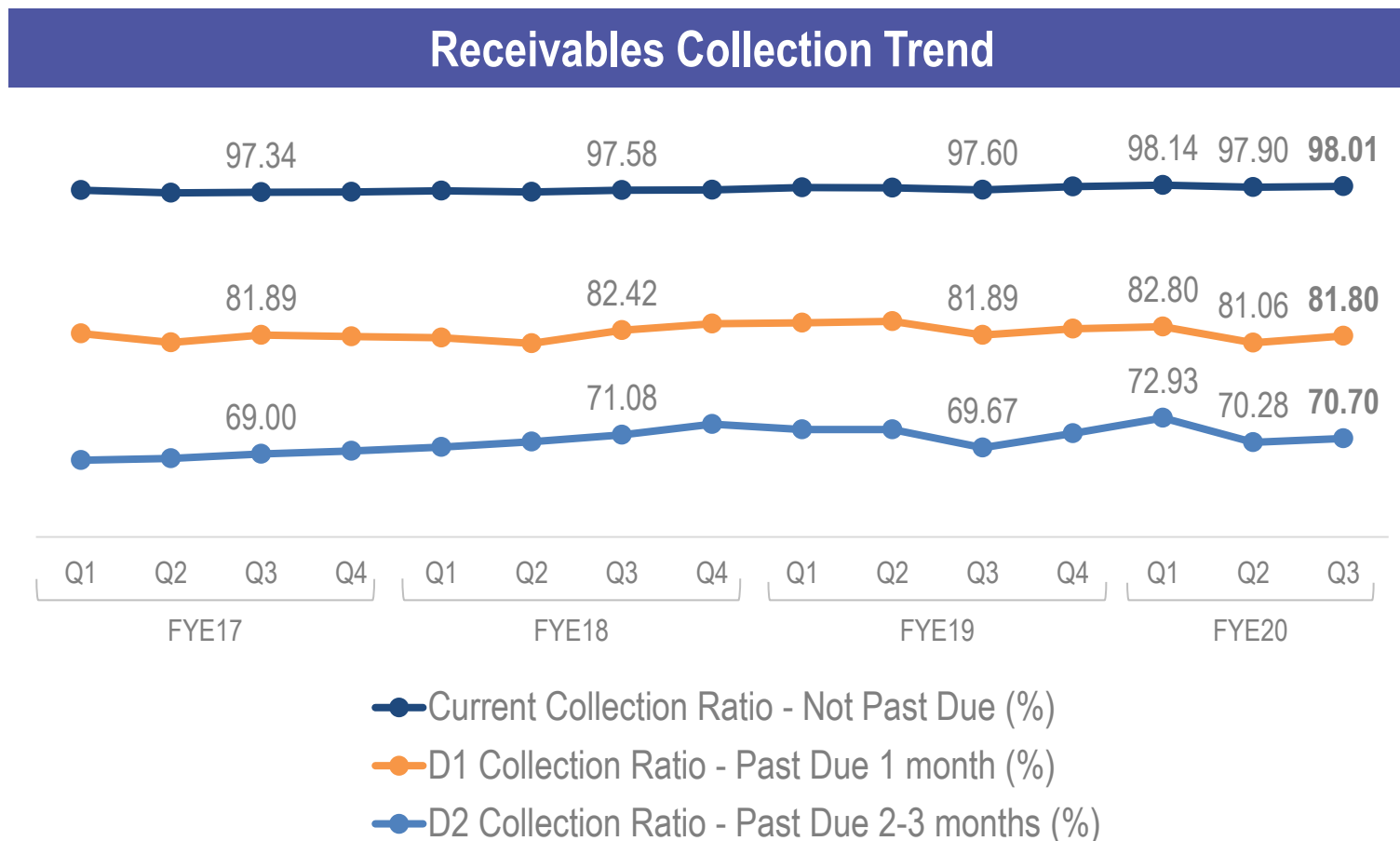
Continuous growth under the challenging environment



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
<b>Total</b>		<b>+4.5</b>	<b>+20.7</b>

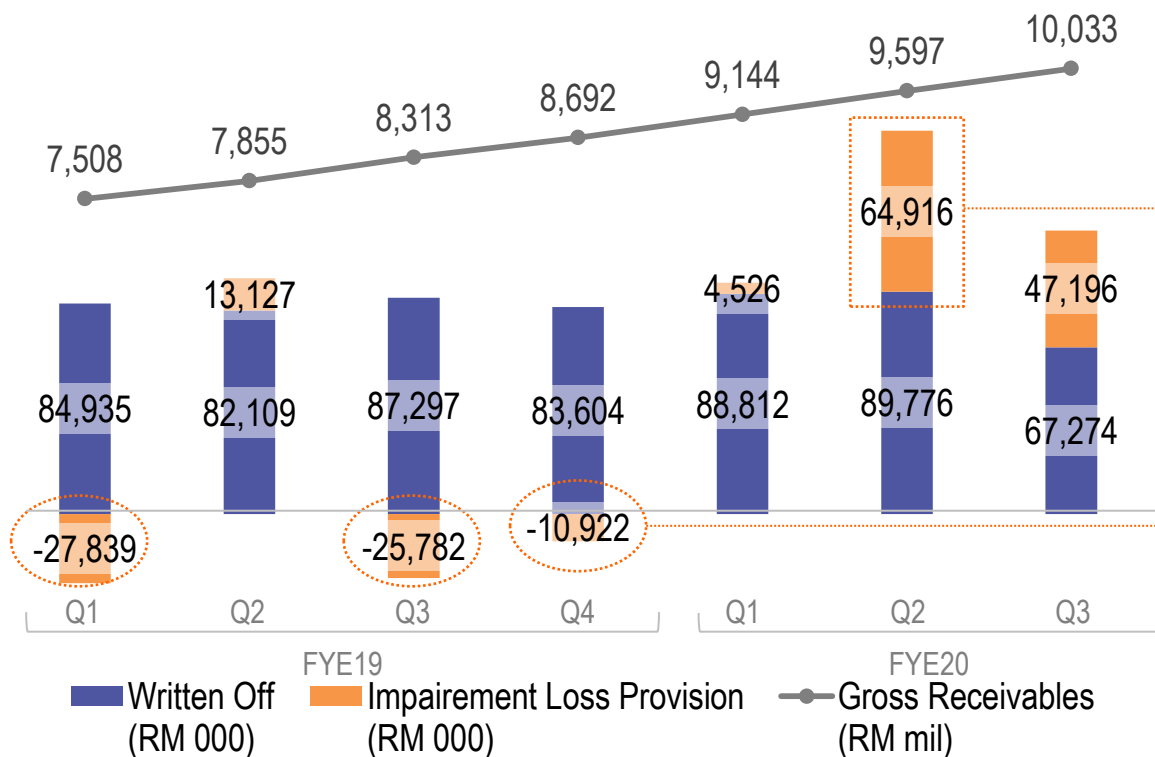
Receivables Breakdown (%)		Q3 FYE20	YoY
Credit Card		8.8	+0.4
Personal Financing		28.0	-
Motorcycle Financing		30.7	+1.6
Auto Financing		28.4	-0.9
Objective Financing		3.5	-0.9
SME Financing		0.6	-0.2
<b>Total</b>		<b>100.0</b>	<b>-</b>

Healthy portfolio with stable collection trend



# Impairment Loss Analysis

Written Off accounts are stable despite increase of financing receivables

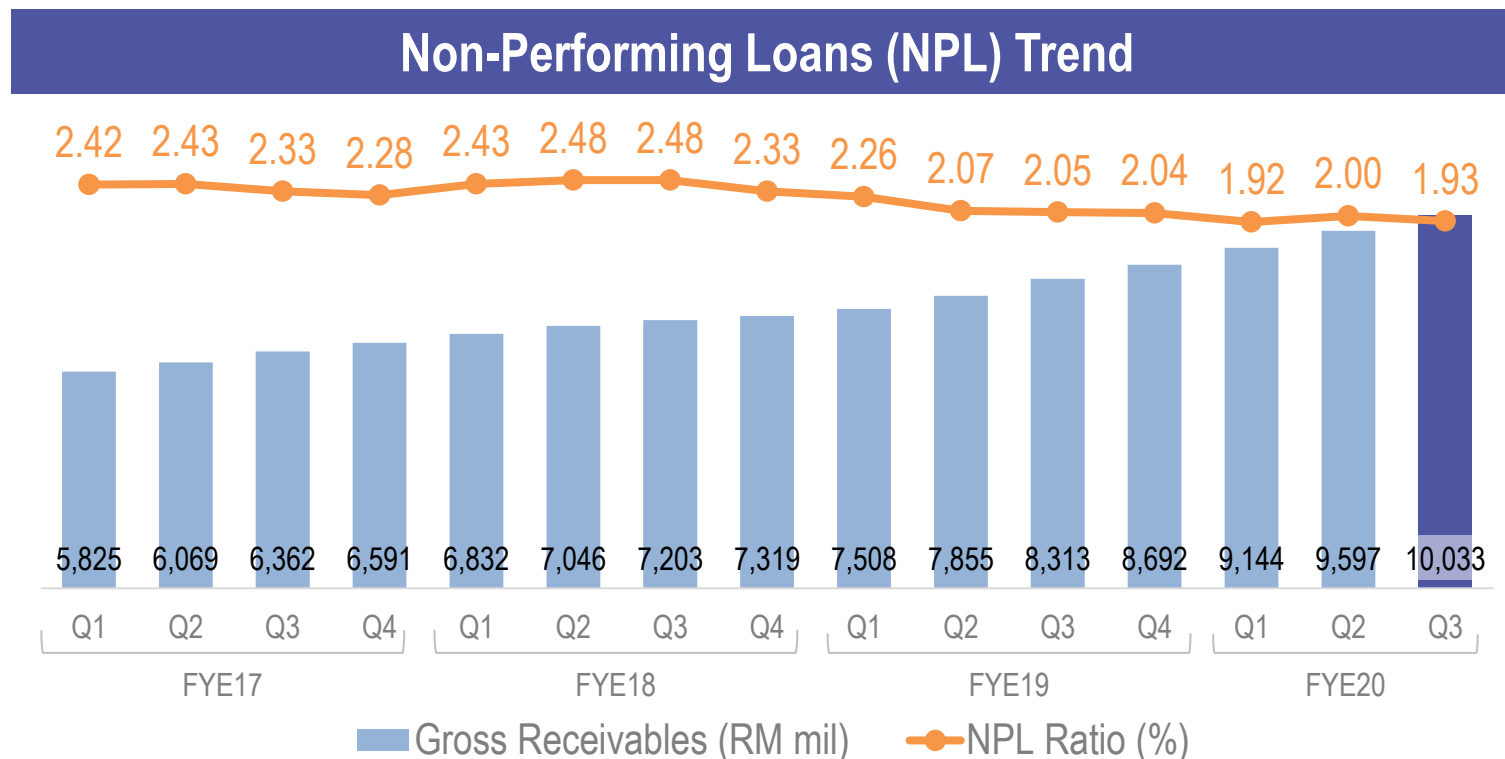


Increased in tandem with the financing receivables growth as well as seasonal factor – Hari Raya Festival

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%

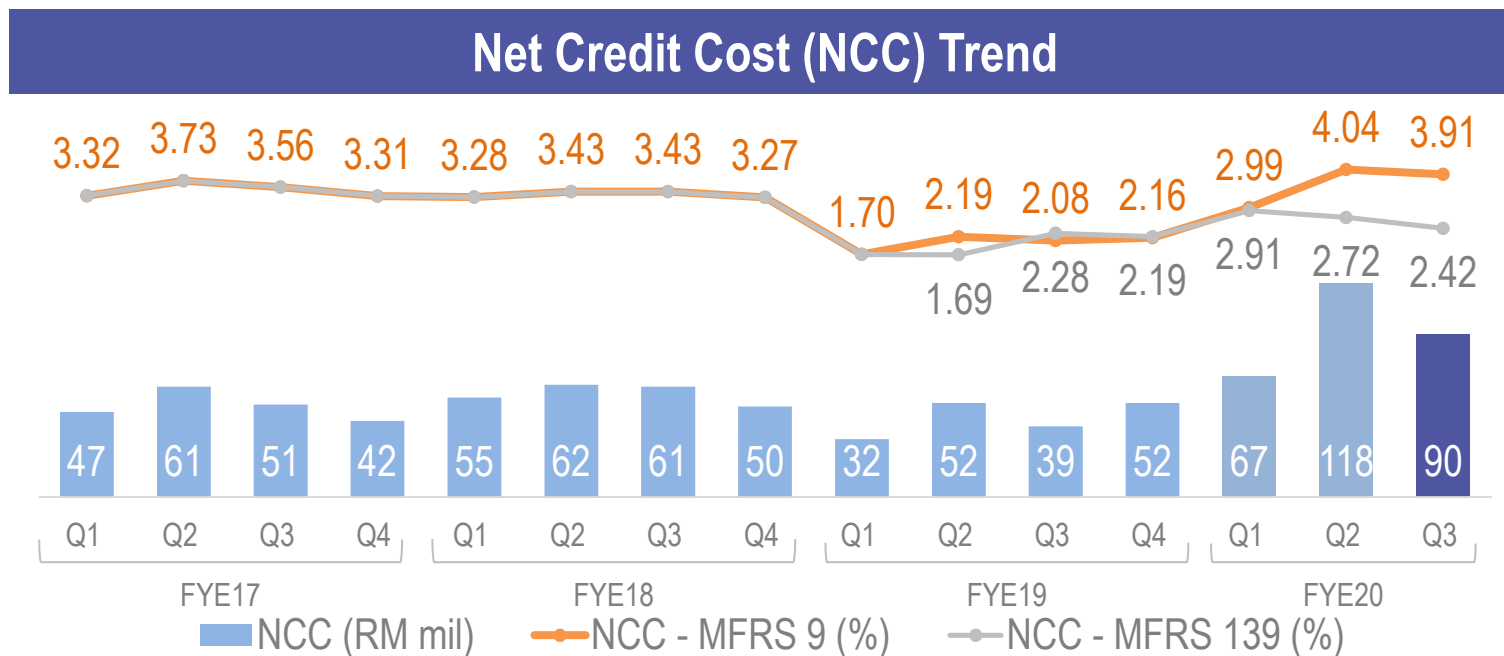
Continuous prudent approach on asset quality management



(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"> <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, 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 (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, hearing date has yet to be fixed.</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.	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"> <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 case management at High Court is fixed on 1 Jun 2020.</li> </ul>

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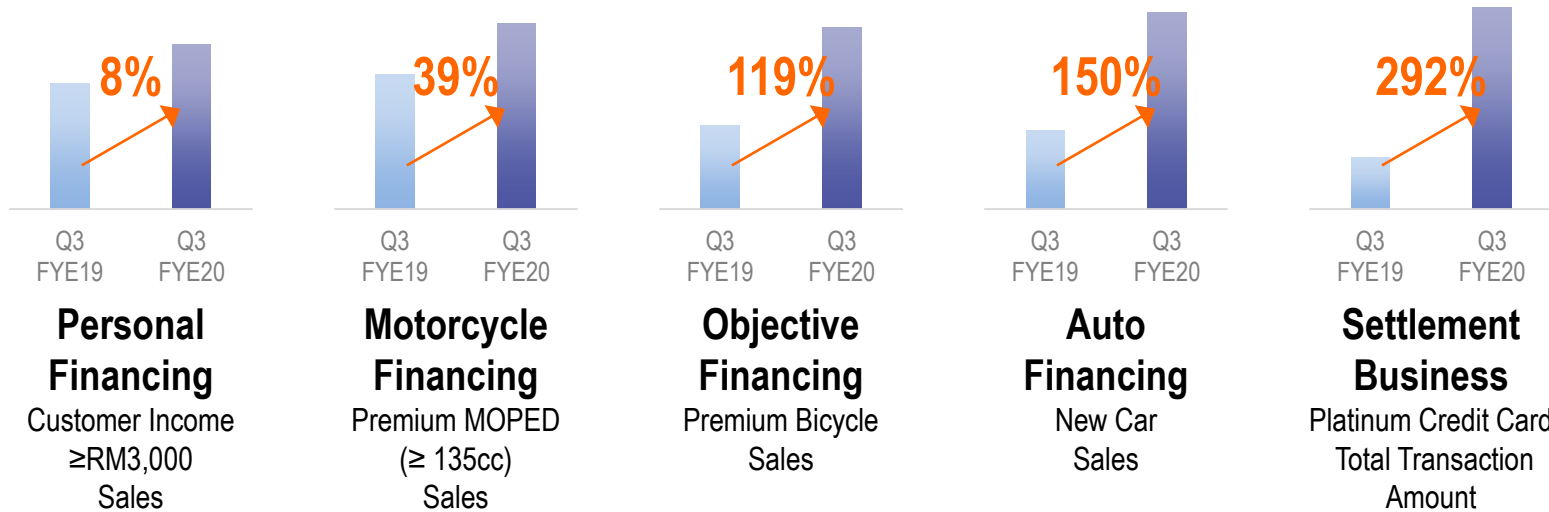
# Key Strategic Focus

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# Key Strategic Focus

## Asset Quality Management

Targeted product offerings to cater for demand from different income groups

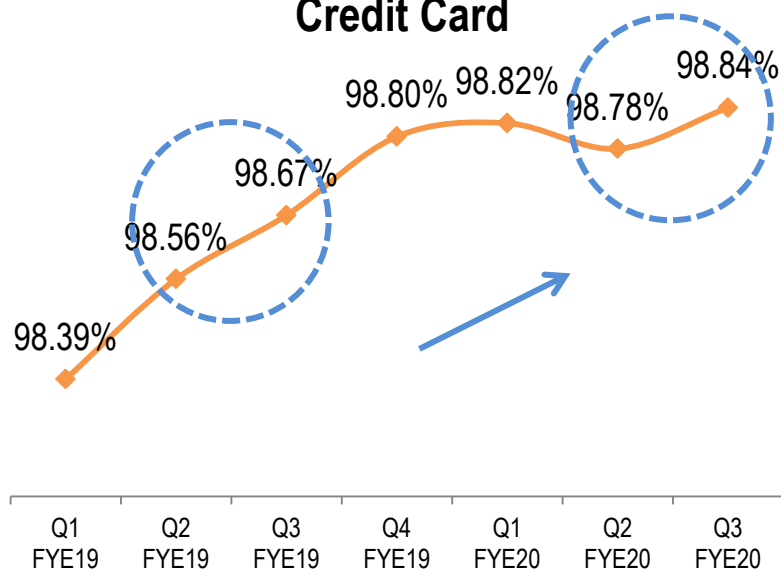




# Key Strategic Focus

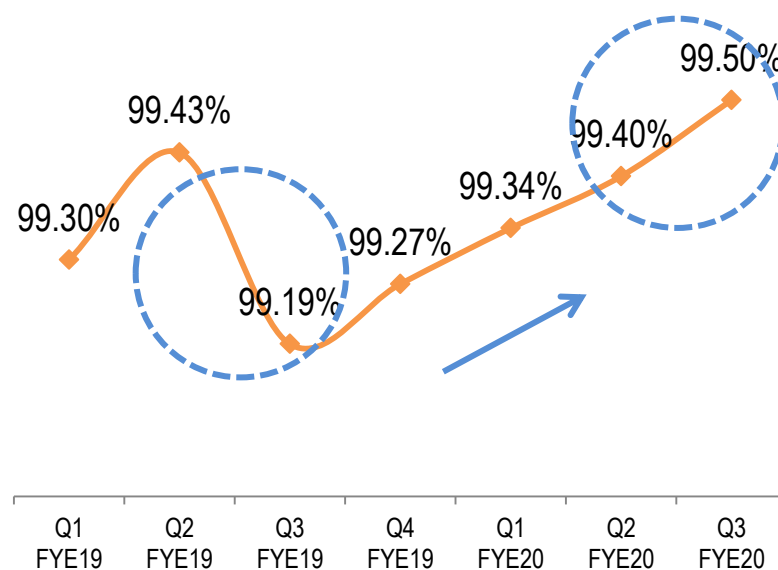
## New Sales Collection Improved YoY collection ratio

### Total Easy Payment & Credit Card



	FYE2019	FYE2020	Change
<b>Q2</b>	98.56%	98.78%	+0.22%
<b>Q3</b>	98.67%	98.84%	+0.17%

### Personal Financing

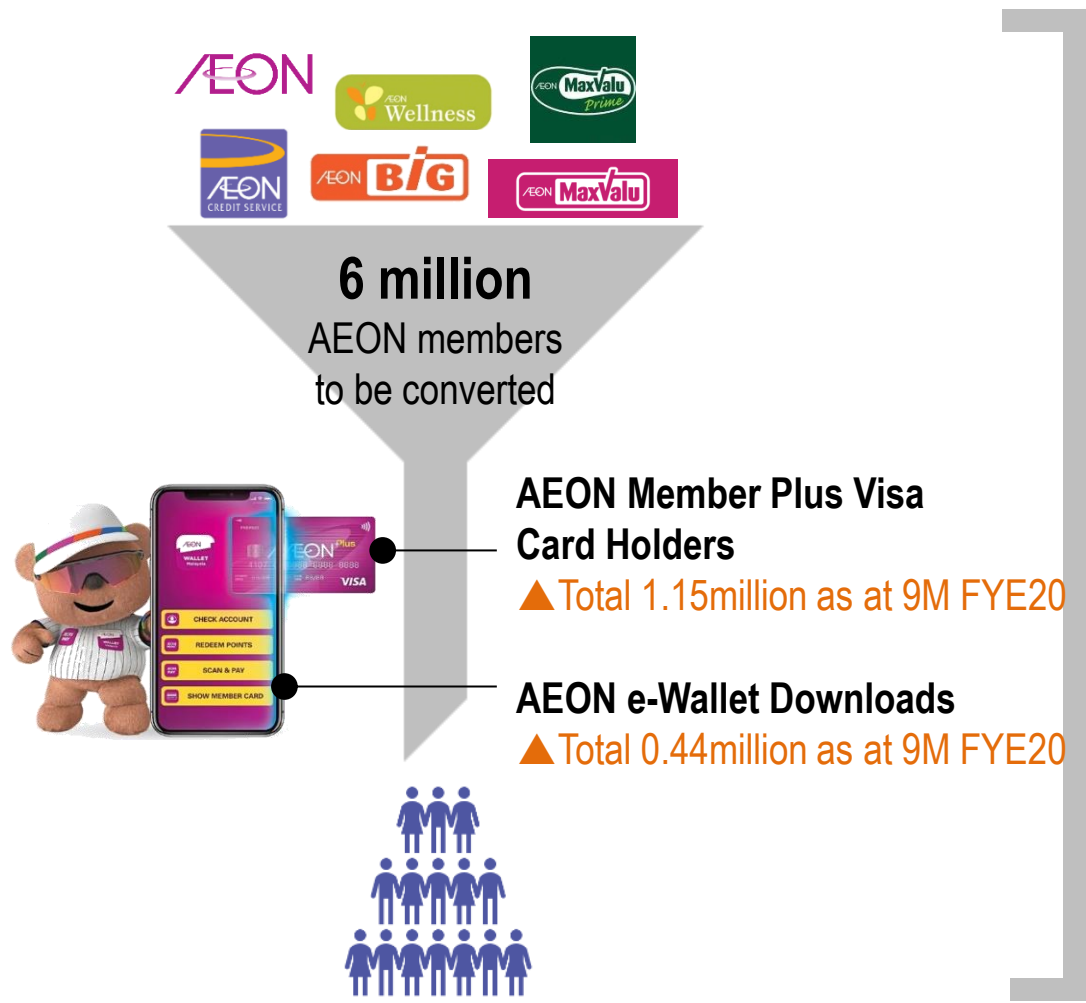


	FYE2019	FYE2020	Change
<b>Q2</b>	99.43%	99.40%	-0.03%
<b>Q3</b>	99.19%	99.50%	+0.31%

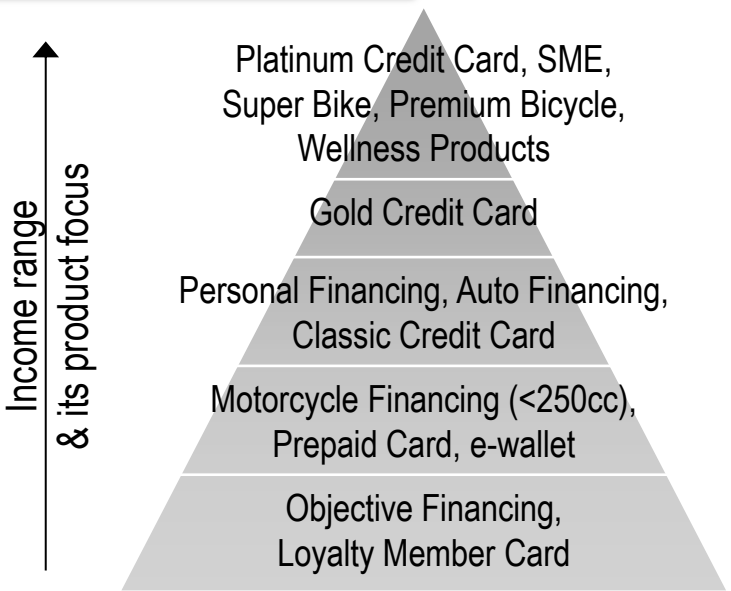
# Key Strategic Focus

## 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

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# Appendices

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# Performance Highlights

(RM'000)	Q3 FYE19	Q1 FYE20	Q2 FYE20	Q3 FYE20	QoQ (%)	YoY (%)	9M FYE19	9M FYE20	YoY %
<b>Total Transaction &amp; Financing Volume</b>	<b>1,452.5</b>	<b>1,584.1</b>	<b>1,562.5</b>	<b>1,589.0</b>	1.7	9.4	<b>3,799.9</b>	<b>4,735.4</b>	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
<b>Total Income</b>	<b>376.5</b>	<b>410.2</b>	<b>445.9</b>	<b>433.6</b>	-2.8	15.2	<b>1,111.9</b>	<b>1,289.8</b>	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
<b>Profit Before Tax</b>	<b>118.0</b>	<b>112.7</b>	<b>66.8</b>	<b>92.8</b>	38.9	-21.3	<b>357.1</b>	<b>272.4</b>	-23.7
Corporate Tax	-30.9	-28.1	-17.7	-22.9	29.2	-25.9	-90.1	-68.8	-23.7
<b>Net Profit</b>	<b>87.1</b>	<b>84.6</b>	<b>49.1</b>	<b>69.9</b>	42.3	-19.7	<b>267.0</b>	<b>203.7</b>	-23.7

# Financial Summary

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

# Operating Income

(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
<b>Total Revenue</b>	<b>348.5</b>	<b>378.6</b>	<b>404.3</b>	<b>402.4</b>	<b>-0.5</b>	<b>15.5</b>	<b>1,006.3</b>	<b>1,185.5</b>	<b>17.8</b>
Other Operating Income	28.0	31.6	41.5	31.2	-24.8	11.4	105.6	104.3	-1.2
<b>Total Operating Income</b>	<b>376.5</b>	<b>410.2</b>	<b>445.8</b>	<b>433.6</b>	<b>-2.7</b>	<b>15.2</b>	<b>1,111.9</b>	<b>1,289.8</b>	<b>16.0</b>



# Total Expenses

(RM mil)	Q3 FYE19	Q1 FYE20	Q2 FYE20	Q3 FYE20	QoQ (%)	YoY (%)	9M FYE19	9M FYE20	YoY (%)
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
<b>Operating Expenses</b>	<b>193.8</b>	<b>222.2</b>	<b>299.3</b>	<b>258.2</b>	<b>-13.7</b>	<b>33.2</b>	<b>570.5</b>	<b>779.5</b>	<b>36.6</b>
Interest expenses	64.6	75.4	79.8	82.7	3.6	28.0	184.3	237.8	29.0
<b>Total Expenses</b>	<b>258.4</b>	<b>297.6</b>	<b>379.1</b>	<b>340.9</b>	<b>-10.1</b>	<b>31.9</b>	<b>754.8</b>	<b>1,017.3</b>	<b>34.8</b>

(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

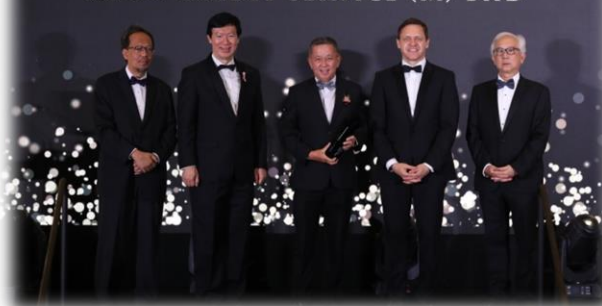
\* Annualised

Consistent dividend payout

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

# Company Achievements

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