

EASY BUY PLC

No. 49/2011

18 October 2011

Company Rating: BBB

Outlook: Positive

New Issue Rating: BBB+

Outlook: Negative

Rating History:

Date	Company	Issue (Secured/ Unsecured)
12/09/11	BBB/Pos	BBB+ (Neg)/-
31/03/11	BBB/Sta	BBB+ (Alert Neg)/-
19/01/11	BBB/Sta	A (Neg)/-
15/07/10	BBB/Sta	A+ (Neg)/-
03/06/10	BBB/Neg	A+ (Neg)/-
04/11/09	BBB/Neg	AA- (Neg)/-
16/06/09	BBB/Neg	AA (Neg)/-
28/05/09	BBB/Neg	AA (Alert Neg)/-
26/06/07	BBB/Sta	AA/-
12/07/04	BBB+/Sta	AA/BBB+
19/02/04	BBB+	AA/BBB+
05/11/02	BBB+	AA/-

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Rating Rationale

TRIS Rating affirms the company rating of EASY BUY PLC at "BBB", and also affirms the ratings of the guaranteed debentures of EASY BUY at "BBB+". At the same time, TRIS Rating assigns "BBB+" rating to EASY BUY's proposed issue of up to Bt1,500 million in guaranteed debentures. The company rating reflects EASY BUY's improvement in financial profile and asset quality during 2008 to the first half of 2011, and its strong market position in Thailand's non-bank consumer finance business. The rating is constrained by weaker credit profile of its parent company, ACOM Co., Ltd., a major shareholder, by the fact that the credit quality of its customers is sensitive to an unfavorable economy, and by intense competition in the consumer finance industry. These factors might limit business growth, profitability, and lead to a deterioration in asset quality in the future.

The issue ratings reflect the credit profile of ACOM, who is the guarantor of the debentures. ACOM's financial performance has been weaker since 2009 due to higher provision expenses for both possible loan losses and refunds of overpaid interest following the full implementation of the new Money Lending Business Law in Japan, and the worsening business environment in Japan. ACOM is currently rated "Ba3" with a "negative" outlook by Moody's Investors Service (Moody's) and "BB+" with a "negative" outlook by Standard & Poor's (S&P).

Under the guarantee agreement, which is governed by Japanese law, the guarantor irrevocably and unconditionally guarantees to promptly make full payments of obligations of the rated debentures in any merger or consolidation of ACOM, the successor of ACOM shall assume these guarantee obligations. If the guarantor fails to pay the amount due after receiving a notice, the debenture-holders' representative can commence legal action against the guarantor in commercial court, in Japan, for the defaulted amount. The obligations of the guarantor under this guarantee agreement rank equally with other unsecured and unsubordinated debts of the guarantor.

ACOM reported net losses totaling 202,648 million yen in FY2011 (ending March 2011), nosediving sharply from a net profit of 7,239 million yen in FY2010. The company's net loss was derived mainly from the additional provisions for losses related to refunds of overpaid interest and decrease in operating profit.

As of March 2011, the loan receivables of EASY BUY were 69,610 million yen, made up 6.6% of ACOM's consolidated receivables. The amount of EASY BUY's liabilities guaranteed by ACOM totaled 53,060 million yen, representing 22% of ACOM's total shareholders' equity. EASY BUY is ACOM's first overseas subsidiary in Southeast Asia and figures significantly in ACOM's strategy to be a major regional player in the consumer finance industry. ACOM has shown a strong commitment to EASY BUY to provide financial and business support by passing along technology and business practice know-how, as well as developing new products for the Thai market.

The experience of almost 15 years in the non-bank consumer finance industry has provided EASY BUY with a sufficient track record and good brand recognition. Strong financial and business support from the parent company is crucial for EASY BUY's future market position and to sustain growth. Although the nature of its business, providing small loans to a large number of customers, helps diversify risk,

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the company is still exposed to credit risk as the credit profiles of its customers are generally lower than retail customers of commercial banks. In addition, the company is also exposed to regulatory risk as regulators strive to protect consumers' rights.

Asset quality has improved continuously since 2008. Receivables with more than three months overdue to average receivables decreased from 6.12% in 2007 to 2.16% as of June 2011. The ratio of net write-offs to average receivables also declined from 13.22% in 2009 to 9.29% in 2010 and 4.33% for the first half of 2011. EASY BUY has adopted many of ACOM's business operation and risk management tools, including a modern credit-scoring model and effective vendor and information management systems, plus ACOM's loan collection methods and standards to ensure asset quality control.

EASY BUY had stronger financial performance after 2007. Net income turned positive, with net profits of Bt310 million in 2008, Bt329 million in 2009, Bt925 million in 2010, and Bt708 million for the first half of 2011. The steady turnaround came from continued growth in the personal loan business, efficient control of operating costs, and improved customer credit profiles. Strong earning with conservative dividend payout has strengthened its capital base. The ratio of total shareholders' equity to total assets rose continuously from 5.70% in 2007 to 10.58% in 2010 and 12.90% at the end of June 2011.

Issuer Rating Outlook

The "positive" outlook reflects the turnaround in performance as a result of improved asset quality and careful control of operating expenses. EASY BUY had delivered strong earning power in 2010 and in the first half of 2011, which generated a strong internal growth of its equity base, and strengthened its credit rating. Given no new additional capital injection, TRIS Rating expects that EASY BUY will not implement an aggressive dividend payout policy, which will weaken its shareholders' equity in the future.

Issue Rating Outlook

The "negative" outlook for the issue ratings of EASY BUY reflects the remained uncertainty of financial performance of ACOM, the guarantor of EASY BUY, in FY2012, which was highly pressured by unexpected increases in provisioning expenses for both possible loan losses and refunds of overpaid interests, and unfavorable operating environment in Japan. The review of the guaranteed issue ratings will be considered if TRIS Rating believes that there will be changes in support from Mitsubishi UFJ Financial Group (MUFG), the largest commercial bank in Japan, to ACOM.

EASY BUY PLC (EASY BUY)

Company Rating:	BBB
Rating Outlook:	Positive
Issue Ratings:	
EB128A: Bt125 million guaranteed debentures due 2012	BBB+
EB128B: Bt2,710 million guaranteed debentures due 2012	BBB+
EB128C: Bt3,500 million guaranteed debentures due 2012	BBB+
EB133A: Bt1,000 million guaranteed debentures due 2013	BBB+
Up to Bt1,500 million guaranteed debentures due within 2016	BBB+
Rating Outlook:	Negative

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