EASY BUY PLC

No. 71/2013 25 October 2013

Company Rating:	BBB+
Outlook:	Stable
New Issue Rating:	BBB+
Outlook	Stable

Rating History:

Date	Company	Issue (Secured/ Unsecured)
07/11/12	BBB+/Sta	BBB+(Sta)/BBB+(Sta)
15/03/12	BBB/Pos	BBB+(Sta)/BBB(Pos)
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 and senior debenture ratings of EASY BUY PLC at “BBB+”, and also affirms the ratings of EASY BUY’s guaranteed debentures at “BBB+”. At the same time, TRIS Rating assigns “BBB+” rating to EASY BUY’s proposed issue of up to Bt1,000 million in three-year senior debentures. The company rating reflects EASY BUY’s continual improvement in capital base, financial profile, and asset quality during 2008 to the first half of 2013, plus its strong market position in the non-bank consumer finance business in Thailand. The rating is constrained by the fact that the credit quality of its customers is sensitive to an unfavorable economy and intense competition in the consumer finance industry. These factors might limit the company’s business growth and profitability, and lead to a deterioration in asset quality in the future.

The guaranteed issue ratings reflect the credit profile of ACOM Co., Ltd., a Japanese consumer finance operator, 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 and the worsening business environment in Japan. ACOM is currently rated “BB+” with “stable” outlook by Standard & Poor’s.

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’s financial profile has gradually improved since the fiscal year (FY) 2012 (April 2011-March 2012). For FY2013 (ending March 2013), ACOM reported net profit totaling 21 billion yen resulting from the continual decrease in provision of allowance for doubtful accounts and operating expenses. Despite a decline in loan portfolio and lower interest yields, ACOM was able to sustain net profits in line with the level in FY2012. The company has diversified into loan guaranteed business by being an alliance with commercial banks in Japan. Revenue contribution from loan guarantee business to total consolidated revenue, therefore, increased from less than 5% in FY2010 to 13% in FY2013.

As of March 2013, the loan receivables of EASY BUY were 84 billion yen, making up 9.5% of ACOM’s consolidated receivables. 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.

The experience over 15 years in the non-bank consumer finance industry has provided EASY BUY with a sufficient track record and good brand recognition. Continued financial and business supports from the parent company are helpful for EASY BUY’s future market position and to sustain growth. Although the nature of its business in providing small loans to a large number of customers helps diversify risks, the company is still exposed to credit risk as the credit profiles of its customers are generally higher 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 of the company has improved continuously since 2008. Receivables with more than three months overdue to total receivables decreased from 5.62% in 2007 to 2.08% in 2012 and 2.04% as of June 2013. The ratio for an industry average conversely increased to around 3% as of December 2012 and June 2013, from 2.75% in 2011. As EASY BUY has shifted its customer base from factory workers to office workers since 2009, the company has been partially affected from vulnerable economic and operating environments. 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's financial performance improved continuously after 2007. Net income turned positive, with net profits of Bt310 million in 2008, Bt326 million in 2009, Bt925 million in 2010, and Bt1,310 million in 2011. In 2012, net income hit a record high to Bt1,984 million, up by 51% from 2011. For the first half of 2013, net income was Bt1,208 million, up by 20% from Bt1,010 million for the first half of 2012. The steady turnaround resulted from continuous growth in the personal loan business, efficient control of operating costs, and improved customer credit profiles.

As of 31 October 2012, EASY BUY allocated Bt3,600 million of retained earnings in terms of stock dividends to existing shareholders, which increased its paid-up capital to Bt3,900 million from Bt300 million. Under the Foreign Business Act, EASY BUY is required to maintain sufficient capital in order to keep its debt equal to or no more than 7 times of paid-up capital. The ratio of total shareholders' equity to total assets rose from 5.70% in 2007 to 10.58% in 2010, 14.56% in 2011, 18.57% in 2012, and 20.79% as of June 2013. At the same time, the ratio of total debts to total shareholders' equity also improved significantly from 14 times in 2008 to around 4 times in 2012. As of June 2013, the ratio further improved to 3.7 times.

Issuer and Senior Issue Rating Outlooks

The "stable" outlook reflects the turnaround in performance as a result of improved asset quality and careful control of operating expenses. EASY BUY continually delivered strong earning power in 2010 to the first half of 2013, which generated a strong internal growth of its equity base and strengthened its credit ratings. Good credit risk management and stronger capital will help mitigate expected risks from adverse changes in business and operating environment in the consumer finance industry.

Guaranteed Issue Rating Outlook

The "stable" outlook for the guaranteed issue ratings of EASY BUY reflects improvement of ACOM's financial profile in FY2012 and stabilizing prospects for Japan's consumer finance industry. The pressure of ACOM's financial performance has declined due mainly to declining trend of provisioning expenses for both possible loan losses and refunds of overpaid interests. The review of the guaranteed issue ratings will be considered if TRIS Rating sees any changes in support from Mitsubishi UFJ Financial Group (MUFG), the largest financial group in Japan, to ACOM.

EASY BUY PLC (EASY BUY)

Company Rating:	BBB+
Rating Outlook:	Stable
Issue Ratings:	
EB13DA: Bt500 million guaranteed debentures due 2013	BBB+
EB14DA: Bt500 million guaranteed debentures due 2014	BBB+
EB152A: Bt500 million guaranteed debentures due 2015	BBB+
EB15DA: Bt500 million guaranteed debentures due 2015	BBB+
EB156A: Bt1,020 million guaranteed debentures due 2015	BBB+
EB162A: Bt1,000 million guaranteed debentures due 2016	BBB+
EB162B: Bt2,000 million guaranteed debentures due 2016	BBB+
Rating Outlook:	Stable
EB152B: Bt340 million senior debentures due 2015	BBB+
EB156B: Bt480 million senior debentures due 2015	BBB+
EB163A: Bt1,000 million senior debentures due 2016	BBB+
Up to Bt1,000 million senior debentures due within 2016	BBB+
Rating Outlook:	Stable

Financial Statistics*
ACOM Co., Ltd. (Guarantor)

Unit: Billion yen

	Fiscal Year Ended 31 March					
	2013	2012	2011	2010	2009	2008
Total assets	1,166	1,212	1,303	1,483	1,606	1,862
Total loans	882	947	1,062	1,273	1,423	1,613
Allowance for doubtful accounts	44	48	70	69	92	118
Short-term borrowings	370	308	296	274	262	329
Long-term borrowings	329	407	444	523	574	644
Shareholders' equity and minority interests	289	265	244	439	452	472
Net interest income	120	137	171	206	241	294
Non-interest income	49	48	50	46	49	50
Operating expenses	102	118	327	168	169	145
Net income	21	21	(203)	(7)	14	35

* *Consolidated financial statements*

Key Financial Ratios*
ACOM Co., Ltd. (Guarantor)

Unit: %

	Fiscal Year Ended 31 March					
	2013	2012	2011	2010	2009	2008
Profitability						
Net interest income/average assets	10.13	10.88	12.27	13.35	13.88	15.12
Net interest income/total income	62.07	64.56	69.10	73.41	74.60	78.52
Operating expenses/total income	32.76	20.95	33.93	55.80	48.92	38.75
Operating profit/average assets	5.93	6.53	(14.34)	(0.09)	1.38	3.26
Return on average assets	1.75	1.71	(14.55)	(0.47)	0.79	1.82
Return on average equity	7.56	8.44	(59.35)	(1.62)	2.96	7.62
Asset Quality						
Bad debts**/average loans	n.a.	7.33	8.92	8.10	7.65	7.40
Bad debts and doubtful accounts/average loans	4.44	5.91	6.64	5.65	5.79	6.87
Allowance for doubtful accounts/total loans	4.96	5.06	6.62	5.44	6.43	7.31
Capitalization						
Shareholders' equity/total assets	24.60	21.85	18.70	29.63	28.18	25.36
Shareholders' equity/total loans	32.51	27.98	22.95	34.52	31.79	29.28
Liquidity						
Short-term borrowings/total liabilities	42.16	32.52	27.98	26.30	22.74	23.67
Total loans/total assets	75.66	78.09	81.49	85.84	88.64	86.63

* *Consolidated financial statements*
** *Including non-accrual loans due for three months or more, loans in legal bankruptcy, and restructured loans*
n.a. *Not available*

Financial Statistics
EASY BUY PLC (Issuer)

Unit: Bt million

	6/2013 *	2012	2011	2010	2009	2008
		Year Ended 31 December				
Total assets	31,601	30,437	28,341	26,804	25,819	24,699
Total loans	31,788	30,646	28,605	26,464	25,429	24,217
Allowance for doubtful accounts	2,009	2,106	1,895	1,709	1,471	1,543
Short-term borrowings	6,653	6,081	12,008	5,862	5,874	10,182
Long-term borrowings	17,498	17,713	11,387	17,237	17,481	12,352
Shareholders' equity	6,569	5,654	4,126	2,836	1,911	1,606
Net interest income	3,524	6,747	6,241	5,966	5,522	4,970
Bad debts and doubtful accounts	1,201	2,558	2,722	3,261	3,709	3,235
Non-interest income	493	899	783	697	568	570
Operating expenses	1,304	2,439	2,200	2,074	1,902	1,855
Net income	1,208	1,948	1,310	925	326	310

* *Non-annualized*

Key Financial Ratios
EASY BUY PLC (Issuer)

Unit: %

	6/2013*	2012	2011	2010	2009	2008
		Year Ended 31 December				
Profitability						
Net interest income/average assets	11.36	22.96	22.64	22.67	21.86	20.96
Net interest income/total income	76.18	75.66	76.04	76.46	75.79	74.07
Operating expenses/total income	28.19	27.35	26.80	26.58	26.06	27.65
Operating profit/average assets	3.29	6.32	5.14	5.05	1.91	1.89
Return on average assets	3.89	6.63	4.75	3.51	1.30	1.31
Return on average equity	19.76	39.83	37.64	38.97	18.71	21.36
Asset Quality						
Non-performing loans/total loans	2.04	2.08	2.14	2.72	3.21	4.42
Bad debts and doubtful accounts/average loans	3.85	8.63	9.89	12.57	14.94	13.88
Allowance for doubtful accounts/total loans	6.32	6.87	6.63	6.46	5.78	6.37
Bad debt write-offs/average loans	2.55	5.20	6.73	9.29	13.22	11.93
Capitalization						
Total debt/equity (times)	3.68	4.21	5.68	8.15	12.22	14.03
Shareholders' equity/total assets	20.79	18.57	14.56	10.58	7.40	6.50
Shareholders' equity/total loans	20.66	18.45	14.42	10.72	7.51	6.63
Liquidity						
Short-term borrowings/total liabilities	26.58	24.54	49.59	24.46	24.57	44.09
Total loans/total assets	100.59	100.68	100.93	98.73	98.49	98.05
Total loans/total borrowings	131.62	128.79	122.27	114.56	108.88	107.47

* *Non-annualized*

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