

# EASY BUY PLC

No. 16/2012

15 March 2012

**Company Rating:** BBB  
**Outlook:** Positive  
**New Issue Ratings:** BBB+/BBB  
**Outlooks:** Stable/Positive

## 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 and assigns “BBB” rating to EASY BUY’s proposed issue of up to Bt500 million in senior debentures. The company rating reflects EASY BUY’s improvement in financial profile and asset quality during 2008 to 2011, and its strong market position in Thailand’s non-bank consumer finance business. The rating is constrained by weak credit profile of its parent company, ACOM Co., Ltd. (ACOM), 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 guaranteed 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 “BB+” with a “stable” outlook by Standard & Poor’s (S&P).

Under the guarantee agreement governed by Japanese law, stating that 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 profit totaling 42 billion yen for the first nine months of FY2012 (ending March 2012), resulting from the sharp decrease of additional provisions for the refunds of overpaid interest and doubtful accounts, and operating expenses. The figure sharply improved from net losses totaling 203 billion yen in FY2011.

As of December 2011, the loan receivables of EASY BUY were 67 billion yen, made up 7% 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 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 are crucial 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 risk, 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 2.14% in 2011. The ratio of net write-offs to average receivables also declined from 13.22% in 2009 to 9.29% in 2010 and 6.73% in 2011. EASY BUY realized a small loss from the severe flooding in Thailand in the fourth quarter of 2011 as the company has shifted its customer base from factory workers to office workers since 2009. 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 Bt1,310 million in 2011. The steady turnaround resulted 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 continuously strengthened its capital base. The ratio of total shareholders' equity to total assets rose from 5.70% in 2007 to 10.58% in 2010 and 14.53% in 2011. The ratio of total debts to total shareholders' equity also improved significantly from 14 times in 2008 to less than 6 times in 2011.

### Issuer and Senior Issue Rating Outlooks

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 2011, which generated a strong internal growth of its equity base, and strengthened its credit ratings. 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.

### Guaranteed Issue Rating Outlook

The outlook for the guaranteed issue ratings of EASY BUY is revised to "stable" from "negative". The "stable" outlook reflects improvement of ACOM's financial profile in the first three quarters of 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 commercial bank in Japan, to ACOM.

## EASY BUY PLC (EASY BUY)

<b>Company Rating:</b>	BBB
<b>Rating Outlook:</b>	Positive
<b>Issue Ratings:</b>	
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+
EB13DA: Bt500 million guaranteed debentures due 2013	BBB+
EB14DA: Bt500 million guaranteed debentures due 2014	BBB+
EB15DA: Bt500 million guaranteed debentures due 2015	BBB+
Up to Bt1,500 million guaranteed debentures due within 2016	BBB+
<b>Rating Outlook:</b>	Stable
Up to Bt500 million senior debentures due within 2016	BBB
<b>Rating Outlook:</b>	Positive

**Financial Statistics\***  
**ACOM Co., Ltd.**

Unit: Billion yen

	----- Fiscal Year Ended 31 March -----					
	9/2011	2011	2010	2009	2008	2007
Total assets	1,239	1,303	1,483	1,606	1,862	2,032
Total loans	966	1,062	1,273	1,423	1,613	1,760
Allowance for doubtful accounts	63	70	69	92	118	127
Short-term borrowings	358	296	274	262	329	341
Long-term borrowings	381	444	523	574	644	690
Shareholders' equity and minority interests	283	244	439	452	472	457
Net interest income	104	171	206	241	294	340
Non-interest income	36	50	46	49	50	50
Operating expenses	58	327	168	169	145	335
Net income	42	(203)	(7)	14	35	(438)

\* Consolidated financial statements

**Key Financial Ratios\***  
**ACOM Co., Ltd.**

Unit: %

	----- Fiscal Year Ended 31 March -----					
	9/2011	2011	2010	2009	2008	2007
<b>Profitability</b>						
Net interest income/average assets	8.22	12.27	13.35	13.88	15.12	16.45
Net interest income/total income	64.68	69.10	73.41	74.60	78.52	81.11
Operating expenses/total income	35.68	132.34	59.68	52.41	38.75	79.78
Operating profit/average assets	3.87	(14.34)	(0.09)	1.38	3.26	(20.90)
Return on average assets	3.31	(14.55)	(0.47)	0.79	1.82	(21.17)
Return on average equity	15.98	(59.35)	(1.62)	2.96	7.62	(63.03)
<b>Asset Quality</b>						
Bad debts**/average loans	8.05	8.92	8.10	7.65	7.40	7.86
Bad debts and doubtful accounts/average loans	3.32	6.65	5.65	5.79	6.87	7.66
Allowance for doubtful accounts/total loans	6.55	6.62	5.44	6.43	7.31	7.20
<b>Capitalization</b>						
Shareholders' equity/total assets	22.88	18.70	29.63	28.18	25.36	22.50
Shareholders' equity/total loans	29.34	22.95	34.52	31.79	29.28	25.98
<b>Liquidity</b>						
Short-term borrowings/total liabilities	37.45	27.98	26.30	22.74	23.67	21.66
Total loans/total assets	78.00	81.49	85.84	88.64	86.63	86.62
Total loans/total borrowings	130.73	143.36	159.63	170.12	165.68	170.64

\* Consolidated financial statements

\*\* Including non-accrual loans due for three months or more, loans in legal bankruptcy and restructured loans

**Financial Statistics**  
**EASY BUY PLC**

Unit: Bt million

	Year Ended 31 December					
	2011	2010	2009	2008	2007	2006
Total assets	28,395	26,804	25,823	24,699	22,727	19,442
Total loans	28,605	26,464	25,429	24,217	22,391	18,688
Allowance for doubtful accounts	1,895	1,709	1,471	1,543	1,623	1,322
Short-term borrowings	12,023	5,862	5,874	10,182	8,183	9,017
Long-term borrowings	11,427	17,237	17,481	12,352	12,854	8,568
Shareholders' equity	4,126	2,836	1,911	1,606	1,296	1,391
Net interest income	6,241	5,966	5,522	4,970	4,388	3,788
Bad debts and doubtful accounts	2,722	3,261	3,709	3,235	3,209	2,446
Non-interest income	783	697	568	570	519	529
Operating expenses	2,200	2,074	1,899	1,855	1,828	2,032
Net income	1,310	925	329	310	(95)	(113)

**Key Financial Ratios**  
**EASY BUY PLC**

Unit: %

	Year Ended 31 December					
	2011	2010	2009	2008	2007	2006
<b>Profitability</b>						
Net interest income/average assets	22.61	22.67	21.86	20.96	20.81	21.39
Net interest income/total income	76.04	76.46	75.79	74.07	74.10	73.42
Operating expenses/total income	26.80	26.58	26.06	27.65	30.86	39.38
Operating profit/average assets	5.14	5.05	1.91	1.89	(0.61)	(0.91)
Return on average assets	4.75	3.51	1.30	1.31	(0.45)	(0.64)
Return on average equity	37.64	38.97	18.67	21.36	(7.08)	(7.83)
<b>Asset Quality</b>						
Non-performing loans/total loans	2.14	2.76	3.21	4.42	5.62	2.68
Bad debts and doubtful accounts/average loans	9.89	12.57	14.94	13.88	15.62	14.11
Allowance for doubtful accounts/total loans	6.63	6.46	5.78	6.37	7.25	7.07
Bad debt write-offs/average loans	6.73	9.29	13.22	11.93	11.18	17.27
<b>Capitalization</b>						
Debt*/equity (times)	5.88	8.45	12.51	14.38	16.54	12.97
Shareholders' equity/total assets	14.53	10.58	7.40	6.50	5.70	7.16
Shareholders' equity/total loans	12.88	10.72	7.51	6.63	5.79	7.44
<b>Liquidity</b>						
Short-term borrowings/total liabilities	49.54	24.46	24.57	44.09	38.18	49.96
Total loans/total assets	100.74	98.73	98.49	98.05	98.52	96.13
Total loans/total borrowings	121.99	114.56	108.88	107.47	106.44	106.16

\* Total liabilities

## Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

- AAA** The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.
- AA** The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.
- A** The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.
- BBB** The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.
- BB** The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.
- B** The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.
- C** The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.
- D** The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year. The symbols and definitions for short-term ratings are as follows:

- T1** Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.
- T2** Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.
- T3** Issuer has acceptable capacity for meeting its short-term obligations.
- T4** Issuer has weak capacity for meeting its short-term obligations.
- D** The rating for an issuer for which payment is in default.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating differentiates a "structured finance product" from other debt instruments by attaching the "(sf)" identifier next to the original letter rating symbol. The "(sf)" identifier is assigned to all debt instruments that are deemed to meet the definition of a "structured finance product" defined by the Securities and Exchange Commission (SEC). The addition of this subscript to the rating symbol does not change the definition of the letter rating symbols mentioned above.

TRIS Rating also assigns a "Rating Outlook" that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on the fundamental creditworthiness of the company. The rating outlook will be announced in conjunction with the credit rating. In most cases, the outlook of each debt obligation is equal to the outlook assigned to the issuer or the obligor. The categories for "Rating Outlook" are as followed:

- Positive** The rating may be raised.
- Stable** The rating is not likely to change.
- Negative** The rating may be lowered.
- Developing** The rating may be raised, lowered, or remain unchanged.

TRIS Rating may announce a "CreditAlert" as a part of its monitoring process of a publicly announced credit rating when there is a significant event that TRIS Rating considers to potentially exerting a substantial impact on business or financial profiles of the rated entity. Due to an insufficient data or incomplete developments of the event, such as merger, new investment, capital restructuring, and etc., current credit rating remains unchanged. The announcement aims to forewarn investors to take a more cautious stance in investment decision against debt instruments of the rated entity. CreditAlert report consists of a "Rational" indicating warning reasons, a "CreditAlert Designation", and a current credit rating. Rating Outlook is withheld in the announcement.

CreditAlert Designation illustrates a short-term rating outlook indicative of the characteristics of impacts on the credit rating in one of the three directions (1) *Positive* (2) *Negative* and (3) *Developing*.

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