

EASY BUY PLC

No. 90/2012

7 November 2012

Company Rating: BBB+

Outlook: Stable

New Issue Rating: -

Rating History:

Date	Company	Issue (Secured/ Unsecured)
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 upgrades the company rating of EASY BUY PLC to “BBB+” from “BBB”, and also affirms the ratings of the guaranteed debentures of EASY BUY at “BBB+”. The company rating reflects EASY BUY’s continual improvement in capital base, financial profile and asset quality during 2008 to the first half of 2012, and its strong market position in Thailand’s non-bank consumer finance business. The rating is constrained by the fact that the credit qualities of its customers are 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 Co., Ltd. (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 “stable” 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 profit totaling 21 billion yen for fiscal year 2012 (FY2012) (ending March 2012), resulting from the sharp decrease of additional provisions for the refunds of overpaid interest and doubtful accounts as well as operating expenses. The figure sharply improved from net losses totaling 203 billion yen in FY2011. For the first quarter of FY2013 (April-June 2012), ACOM reported stronger net profit of 17 billion yen, due mainly to a continual decline in the refunds of overpaid interest and doubtful accounts as well as improved operating income.

As of June 2012, the loan receivables of EASY BUY were 75 billion yen, made up 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 sustainable 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 2.14% in 2011 and 1.91% as of June 2012. The ratio for an industry average conversely increased to 3% as of June 2012 from 2.75% in 2011. The ratio of net write-offs to average receivables also declined from 13.22% in 2009 to 9.29% and 6.73% in 2010 and 2011, respectively. 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, Bt326 million in 2009, Bt925 million in 2010, and Bt1,310 million in 2011. For the first half of 2012, net income significantly improved to Bt1,010 million from Bt708 million for the first half of 2011. The steady turnaround resulted from continued growth in the personal loan business, efficient control of operating costs, and improved customer credit profiles. Strong earnings with conservative dividend payout have 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, 14.56% in 2011, and 17.57% as of June 2012. The ratio of total debts to total shareholders' equity also improved significantly from 14 times in 2008 to less than 5 times as of June 2012.

Since May 2012, EASY BUY has changed its status to be a foreign company operating in Thailand, as ACOM holds more than 50% stake in EASY BUY after acquiring all of EASY BUY's shares held by Thailand Equity Fund (25.5% stake). 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. As of 31 October 2012, EASY BUY had 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.

Issuer and Senior Issue Rating Outlooks

The outlooks are revised to "stable" from "positive", which reflect the turnaround in performance as a result of improved asset quality and careful control of operating expenses. EASY BUY delivered strong earning power in 2010, 2011, and the first half of 2012, 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 Outlooks

The "stable" outlooks for the guaranteed issue ratings of EASY BUY reflect improvement of ACOM's financial profile in FY2012 and also reflect the stabilizing prospects for Japan's consumer finance industry. The pressure of ACOM's financial performance has decreased 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 to ACOM from Mitsubishi UFJ Financial Group (MUFG), the largest financial group in Japan.

EASY BUY PLC (EASY BUY)

Company Rating:	BBB+
Rating Outlook:	Stable
Issue Ratings:	
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+
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 Outlooks:	Stable
EB152B: Bt340 million senior debentures due 2015	BBB+
EB156B: Bt480 million senior debentures due 2015	BBB+
Rating Outlooks:	Stable

Financial Statistics*
ACOM Co., Ltd.

Unit: Billion yen

	Apr- Jun	Fiscal Year Ended 31 March				
	2013	2012	2011	2010	2009	2008
Total assets	1,177	1,212	1,303	1,483	1,606	1,862
Total loans	947	957	1,062	1,273	1,423	1,613
Allowance for doubtful accounts	45	48	70	69	92	118
Short-term borrowings	346	308	296	274	262	329
Long-term borrowings	345	407	444	523	574	644
Shareholders' equity and minority interests	281	265	244	439	452	472
Net interest income	31	137	171	206	241	294
Non-interest income	12	48	50	46	49	50
Operating expenses	13	118	327	168	169	145
Net income	17	21	(203)	(7)	14	35

* Consolidated financial statements

Key Financial Ratios*
ACOM Co., Ltd.

Unit: %

	Apr-Jun	Fiscal Year Ended 31 March				
	2013	2012	2011	2010	2009	2008
Profitability						
Net interest income/average assets	2.56 **	10.88	12.27	13.35	13.88	15.12
Net interest income/total income	61.49	64.56	69.10	73.41	74.60	78.52
Operating expenses/total income	27.05	20.95	33.93	55.80	48.92	38.75
Operating profit/average assets	1.68 **	6.53	(14.34)	(0.09)	1.38	3.26
Return on average assets	1.44 **	1.71	(14.55)	(0.47)	0.79	1.82
Return on average equity	6.32 **	8.44	(59.35)	(1.62)	2.96	7.62
Asset Quality						
Bad debts***/average loans	7.66	7.94	8.92	8.10	7.65	7.40
Bad debts and doubtful accounts/average loans	1.29 **	5.88	6.64	5.65	5.79	6.87
Allowance for doubtful accounts/total loans	4.97	5.01	6.62	5.44	6.43	7.31
Capitalization						
Shareholders' equity/total assets	23.83	21.85	18.70	29.63	28.18	25.36
Shareholders' equity/total loans	31.31	27.69	22.95	34.52	31.79	29.28
Liquidity						
Short-term borrowings/total liabilities	38.62	32.52	27.98	26.30	22.74	23.67
Total loans/total assets	76.11	78.92	81.49	85.84	88.64	86.63

* Consolidated financial statements

** Non-annualized

*** 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					
	6/2012	2011	2010	2009	2008	2007
Total assets	29,224	28,341	26,804	25,819	24,699	22,727
Total loans	29,600	28,605	26,464	25,429	24,217	22,391
Allowance for doubtful accounts	1,957	1,895	1,709	1,471	1,543	1,623
Short-term borrowings	11,113	12,008	5,862	5,874	10,182	8,183
Long-term borrowings	12,148	11,387	17,237	17,481	12,352	12,854
Shareholders' equity	5,136	4,126	2,836	1,911	1,606	1,296
Net interest income	3,283 *	6,241	5,966	5,522	4,970	4,388
Bad debts and doubtful accounts	1,261 *	2,722	3,261	3,709	3,235	3,209
Non-interest income	451 *	783	697	568	570	519
Operating expenses	1,156 *	2,200	2,074	1,902	1,855	1,828
Net income	1,010 *	1,310	925	326	310	(95)

* Non-annualized

Key Financial Ratios
EASY BUY PLC

Unit: %

	Year Ended 31 December					
	6/2012*	2011	2010	2009	2008	2007
Profitability						
Net interest income/average assets	11.41	22.64	22.67	21.86	20.96	20.81
Net interest income/total income	75.24	76.04	76.46	75.79	74.07	74.10
Operating expenses/total income	26.50	26.80	26.58	26.06	27.65	30.86
Operating profit/average assets	3.00	5.14	5.05	1.91	1.89	(0.61)
Return on average assets	3.50	4.75	3.51	1.30	1.31	(0.45)
Return on average equity	21.80	37.64	38.97	18.71	21.36	(7.08)
Asset Quality						
Non-performing loans/total loans	1.91	2.14	2.72	3.21	4.42	5.62
Bad debts and doubtful accounts/average loans	4.33	9.89	12.57	14.94	13.88	15.62
Allowance for doubtful accounts/total loans	6.61	6.63	6.46	5.78	6.37	7.25
Bad debt write-offs/average loans	7.11	6.73	9.29	13.22	11.93	11.18
Capitalization						
Total debt/equity (times)	4.53	5.68	8.15	12.22	14.03	16.23
Shareholders' equity/total assets	17.57	14.56	10.58	7.40	6.50	5.70
Shareholders' equity/total loans	17.35	14.42	10.72	7.51	6.63	5.79
Liquidity						
Short-term borrowings/total liabilities	46.13	49.59	24.46	24.57	44.09	38.18
Total loans/total assets	101.29	100.93	98.73	98.49	98.05	98.52
Total loans/total borrowings	127.25	122.27	114.56	108.88	107.47	106.44

* Non-annualized

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