

Well Chip Group Berhad (WCGB)

Raising The Golden Goose

- **WCGB, founded in 2006, operates 27 pawnshops and four retail outlets, offering pawnbroking services with pledge-backed loans and high-margin interest rates. It also trades and retails gold and jewellery via outlets, and online channels.**
- **We expect WCGB's earnings to grow by 47.1%/11.2%/10.2% over the next three years, supported by a rising outstanding loan book in line with elevated gold prices, expansion through additional outlets funded by IPO proceeds to capture higher-volume tickets, and modest depreciation expenses, as strong revenue growth and high GPM profiles offset the additional overhead costs from new outlets.**
- **We are initiating coverage on WCGB with a BUY rating and a price target of RM2.09, representing a 30.6% upside from the current share price of RM1.60. Our valuation is based on a target P/E of 15.0x pegged to FY26f EPS of 13.9 sen. Moreover, WCGB is committed to a dividend payout ratio of up to 35% of PAT, translating to prospective dividend yields of 2.8%, 3.1%, and 3.4% for FY25-27f, respectively.**

Investment Highlights

IPO proceeds to expand more outlets. Approximately 23.2% (c.RM40m) of IPO proceeds were allocated to outlet expansion. With identified locations in Johor and Melaka, expected increase in outlet count would eventually translate to higher ticket volume, which all in all subject to KPKT approval. Based on our estimates, the new additions will add at least c.RM0.6m in depreciation expenses p.a., subject to authority approval. Overall, expected double-digit revenue growth, coupled with commendable gross margin profiles, should offset the additional overhead costs.

Gold prices are a strong tailwind. We believe the current elevated inflationary pressure should continue to act as a catalyst for a sustained uptrend in gold prices. As a result, WCGB should see revenue improvements in both pawnbroking and the trading of gold and gold jewellery, as WCGB will be able to sell gold items at a marked-up value, representing the difference between the increased prices and the procured cost.

Sustainable industry outlook. From 2024 to 2028, Protégé Associates estimates the c.4%, underpinned by demand for immediate access to funds and demand from the underserved population. Conventional loans require strict criteria, namely credit scores, which may prevent capable customers from securing loans. This trend is expected to continue due to uncertain economic conditions ahead, which bodes well for the industry.

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	203.7	222.1	266.6	315.7	361.9
EBITDA	53.9	74.6	112.7	125.4	138.0
PATMI – Core	35.2	51.1	75.1	83.5	92.0
PATMI – Reported	35.2	51.1	75.1	83.5	92.0
% change YoY – Core PATMI	-9%	-9%	-9%	-9%	-9%
Core EPS (sen)	5.87	8.51	12.52	13.92	15.33
P/E (x)	26.8	18.5	12.5	11.3	10.2
DPS (sen)	0.8	4.0	4.4	4.9	5.4
Yield (%)	1%	3%	3%	3%	3%
P/B (x)	4.6	2.2	2.0	1.8	1.6
ROE (%)	19%	16%	17%	17%	17%
Net Gearing (%)	0.9	0.3	0.4	0.8	0.9

Source: Well Chip Group, M+ Research

Initiation Coverage

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BUY

Share price	RM1.60
Target price	RM2.09
Previous TP	-
Capital upside	30.6%
Dividend return	3.1%
Total return	33.7%

Group profile

The Group principally involved in pawnbroking activities.

Stock information

Bursa Code	5325
Bloomberg ticker	WELLCHIP MK
Listing market	MAIN
Share issued (m)	600.0
Market Cap (m)	918.0
Shariah compliant	No

Major shareholders

	%
Liew Yoon Poh	20.9
Liew Yoon Kit	16.4
Giam Teck Eng	16.4

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PATMI (m)	51.1	75.1	83.5
EPS (sen)	8.5	12.5	13.9
P/E (x)	18.5	12.5	11.3



Company Overview

WCGB's history traces back to 2006, where they started the pawnbroking services business and the first pawnshop was opening in 2007. The business has expanded to 27 pawnshops and 4 retail outlets as of LPD.

- i. **Provision of pawnbroking services (40.9% of FY24 revenue and 72.4% of gross profit).** WCGB provides pawnbroking services, offering pledge-backed pawn loans with a short repayment period to customers. WCGB charges a monthly interest rate of 1–2% and a one-off administrative fee of RM0.50 on pawn loans, which have a term of six months. Acceptable pledge items include gold and gold jewellery, luxury watches, and diamond jewellery. Loan margins are up to 90-95% for gold and gold jewellery, 50-60% for luxury watches, and 30% for diamond jewellery.

Upon expiry of the pawn loan period, customers can choose to redeem their pledges or renew the pawn loans after settling the outstanding debt. The new loan amount is subject to re-assessment. Customers must pay the difference in pawn value if the pledged item has decreased in value. Those who do not redeem pledges, renew the pawn loan, or pay the interest charge will be given a three-month grace period, after which the items will become the property of WCGB, which is then permitted to sell them.

- ii. **Retail and trading of jewellery and gold (59.1% of FY24 revenue).** WCGB also sells and trades jewellery and gold through (i) its retail outlets adjacent to the pawnshops, (ii) online channels, and (iii) scrap gold traders. Gold and gold jewellery are procured through (i) unredeemed pledges and (ii) purchases from walk-in customers, which are then reconditioned and sold.

Fig #1 Well Chip business summary

Business Segments	Pawnbroking	Retail & Trading of Jewellery and Gold
Products & Services	<ul style="list-style-type: none"> • Pawn loans in exchange for pledges such as gold, jewellery and luxury watches 	<ul style="list-style-type: none"> • Retail sale of new and pre-owned jewellery • Sale of scrap gold acquired from unredeemed and pawn pledges.
Revenue Model	<ul style="list-style-type: none"> • Monthly interest charged on pawn loans • One-off administrative fee of RM 0.5 for issuance of pawn ticket 	<ul style="list-style-type: none"> • Sale of items

Well Chip group opened their first outlet in 2007 in Johor Bahru and today offers its pawnbroking services across 27 outlets , supported by 4 jewellery and gold retail outlets.

Source: Well Chip Group Berhad

Helming the Group are:

Yeah Hiang Nam (Promoter, Substantial Shareholder & NINED). Yeah Hiang Nam, 76, is a Singaporean with over 35 years of pawnbroking experience and more than 50 years in jewellery and gold trading. He served as Managing Director and CEO of ValueMax Group (2013–2021) and has been Executive Chairman since 2022. He co-founded Golden Goldsmith Jewellers, Goldjew Sdn. Bhd., and later expanded into pawnbroking under ValueMax. His accolades include The Entrepreneur of the Year Award (2010) and Singapore's Public Service Medal (2016).



Tan Hong Yee (Promoter & Substantial Shareholder). Tan Hong Yee, 74, is a Singaporean with over 40 years of experience in gold jewellery trading and more than 30 years in pawnbroking. She co-founded Golden Goldsmith Jewellers and Goldjew Sdn. Bhd. with Yeah Hiang Nam. Her career includes senior roles at Ban Soon Pawnshop and Ban Lian Pawnshop, as well as board positions within the ValueMax Group. She remains active as a director of several companies, including Yeah Holdings.

Ng Hooi Lang (Promoter, Executive Director & Chief Executive Officer). Ng Hooi Lang, 58, is Promoter, Executive Director and CEO, with over 41 years of experience in gold and jewellery and 17 years in pawnbroking. She began as a gold craftswoman and later joined ValueMax Group in 2007. As Director of KP Well Chip, she led operations, appraisals and expansion, and subsequently held directorships across several subsidiaries. Appointed CEO in September 2022, she leads the Group's strategy and operations.

Tang Soo Yen (Promoter, Executive Director & Director of Retail and Merchandising). Tang Soo Yen, 44, has 26 years of experience in jewellery and over 17 years in pawnbroking. She began as a gold craftswoman before joining ValueMax Group in 2007, gaining extensive operational experience. At KP Well Chip, she oversees jewellery and watch appraisal, procurement, inventory forecasting and auctions. Appointed Executive Director in 2021, she has been instrumental in driving the Group's pawnbroking growth in Malaysia for over 15 years.

Fig #2 WCGB's SWOT Analysis

Strength	Weakness
<ul style="list-style-type: none"> With WCGB's gross and net margins relatively above those of domestic pawn houses, reflecting its operational efficiency and pricing power within the industry. Its outstanding loan book is mainly comprised of high-value items such as gold and luxury jewellery, which collectively de-risks default exposure and supports superior margins, in line with commodity price movements. 	<ul style="list-style-type: none"> As most of its collateral is backed by gold, margins are exposed to interest rate fluctuation risks. Its expansion plans are subject to regulatory approvals, which may be deferred to management's guidance.
Opportunity	Threat
<ul style="list-style-type: none"> WCGB is well-established in Johor, commanding a notable 36% market share. Its expansion into other regions not only bodes well for its branding but also supports higher ticket volumes going forward. Stands to benefit from elevated gold prices, with consensus maintaining a positive outlook for the commodity, supported by persistent US fiscal deficits and a more easing cycle next year. 	<ul style="list-style-type: none"> Pawning is a competitive industry, exposing WCGB to potential pricing adjustments if competitors offer more attractive rates. Risk of default which deter WCGB's margins.

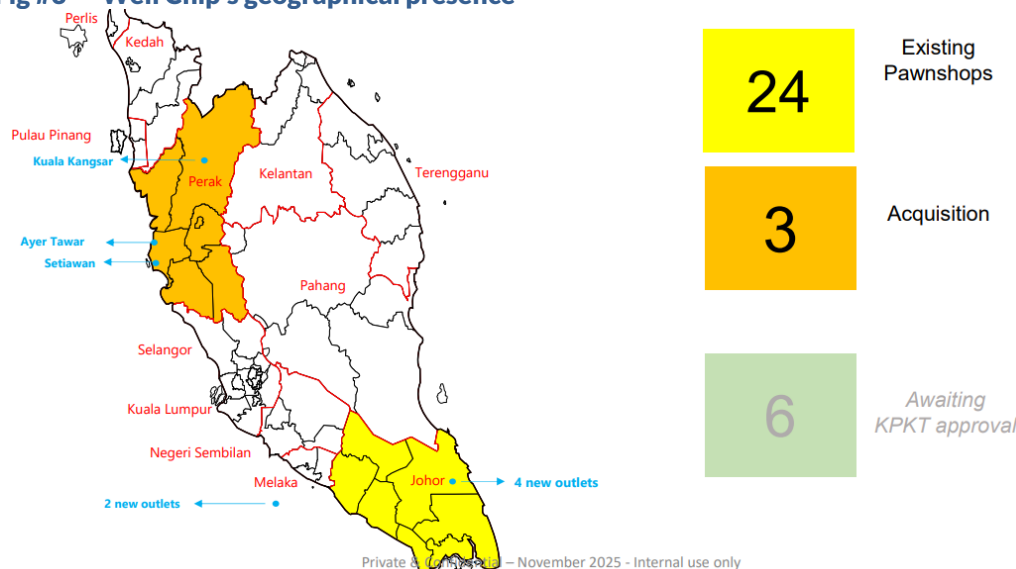
Source: M+ Research



Investment Merits

Founded in 2006, WCGB has grown organically through a combination of openings and acquisitions of pawn shops across Johor, where it commands the largest pawnbroking market share of approximately 36%.

Fig #3 Well Chip's geographical presence



Source: Well Chip Group

Provision of pawnbroking services. As with most other pawnbroking houses, WCGB derives its revenues through the provision of collateralised pawn loans, which in turn generate its interest income. Notwithstanding its relatively smaller geographical presence compared with its peers, WCGB had an outstanding loan book of approximately RM698.6m as of 3Q25, all in all backed by gold collateral. the largest among the three listed domestic pawnbrokers as of the latest quarterly update.

We understand WCGB offers pawn loans with up to a 90-95% loan-to-value (LTV) ratio for gold products. In such an environment of elevated gold prices, WCGB would ultimately benefit from higher reimbursement values per ticket, thereby generating greater interest income, assuming the LTV ratio remains constant.

Fig #4 Well Chip's disbursement rate and average gold prices

	2020A	2021A	2022A	2023A	2024A
Disburse	508.3	532.0	710.3	990.6	1,361.9
Average Gold Price	1785.6	1766.0	1807.3	1950.1	2453.9
% Disburse Growth		4.7%	33.5%	39.5%	37.5%
% Gold Price Growth		-1.1%	2.3%	7.9%	25.8%

Source: Well Chip, Bloomberg

As of 30th September 2025, WCGB's disbursement reached roughly RM1.5bn (FY24: RM1.4bn) in tandem with elevated gold prices. Further interest rate cuts by the Federal Reserve, lower real yields, a persistent US fiscal deficit, as well as changes in the US political environment, should collectively support gold prices reaching USD 4,277–4,506/oz for CY26–27, according to Bloomberg estimates.



Retail and trading of jewellery and gold. We think the abovementioned factors should also further support its complementary business of trading gold and luxury items. For perspective, WCGB procures inventory from the purchase of gold and luxury items, as well as from its unredeemed pledges, which are subject to loan defaults. As most of the inventory stems from gold and jewellery, the selling prices are subject to the latter commodity's price.

Multi-state operations. Approximately 23.2% (c.RM40m) of IPO proceeds were allocated to outlet expansion. With identified locations in Johor and Melaka, we expect the total outlet count by FYE27F to reach at least 33 outlets. Based on our estimates, the new additions will add at least c.RM0.6m in depreciation expenses p.a., subject to authority approval.

All in all, we view the overhead impact as manageable, as the anticipated double-digit revenue growth, coupled with commendable gross margin profiles, should offset the additional overhead costs.

Leading domestic pawnners. Despite having a limited geographical presence in the Klang Valley, Well Chip's gross and net margins are well above the industry averages of 37.5% and 19.7%, respectively, given its dominant presence in Johor, which in aggregate commands a market share of c.36%. We also conclude that Well Chip derives its competitive advantage from its parent Group, ValueMax, which has a longstanding pawnbroking presence in Singapore for over 36 years.

Notably, Well Chip's PER is well below domestic industry peers despite having a similar growth model in terms of outlet expansion.

Fig #5 Peers comparison

Direct Peers	Market Group	FYE	Price (RM)	Market Capitalization (RM'm)	Last Twelve Months (LTM)						
					Revenue	EBITDA	EBIT	EPS	Gross Margins (%)	Net Margins (%)	P/E
Well Chip Group Bhd	MAIN	Dec	1.54	924.0	252.0	110.6	71.5	12.90	47.34	22.5	11.9x
Evergreen Max Cash Capital Bhd	ACE	Dec	0.35	392.2	186.2	60.1	36.4	2.68	36.44	19.0	13.1x
Pappajack Bhd	MAIN	Dec	0.90	690.3	128.3	44.9	35.2	3.59	38.63	20.3	25.1x
Avg ex-Well Chip Group Bhd				541.3	157.2	52.5	35.8	3.1	37.5	19.7	19.1x
Indirect Peers	Market Group	FYE	Price (RM)	Market Capitalization (RM'm)	Last Twelve Months (LTM)						
					Revenue	EBITDA	EBIT	EPS	Gross Margins (%)	Net Margins (%)	P/E
ELK-Desa Resources Bhd	MAIN	Mac	1.11	489.4	202.5	62.4	60.4	6.9	77.3	16.6	16.1x
Aeon Co M Bhd	MAIN	Dec	1.11	1558.4	4,309.8	698.1	284.2	8.5	41.5	3.0	13.1x
RCE Capital Bhd	MAIN	Mac	1.15	1688.2	334.6	221.3	219.3	7.0	NM	31.8	16.4x
Avg ex-Well Chip Group Bhd				1245.4	1615.6	327.3	188.0	7.5	59.4	17.1	15.2x
Global Peers	Country	FYE	Price (USD)	Market Capitalization (USD'm)	Last Twelve Months (LTM)						
					Revenue	EBITDA	EBIT	EPS	Gross Margins (%)	Net Margins (%)	P/E
EZCORP Inc	US	Sep	19.34	1177.3	1,274.3	259.1	149.2	382.00	58.55	7.9	13.1x
FirstCash Holdings Inc	US	Dec	162.30	7163.0	3,486.4	1,107.1	448.2	695.00	48.09	7.6	22.0x
Avg ex-Well Chip Group Bhd					2,380.4	683.1	298.7	538.5	53.3	7.8	17.6x

Source: M+ Research

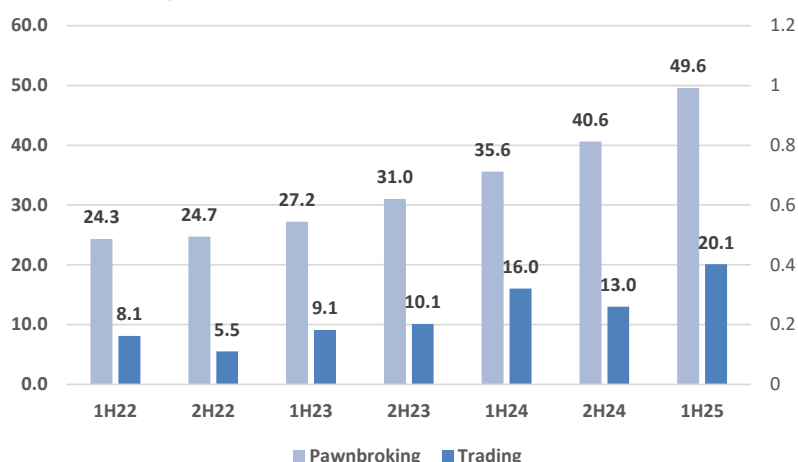


Financials and Valuations

Financial highlights. YTD revenue increased by 20.2% YoY, driven by stronger pawnbroking activities (+41.0%), despite the slowdown in trading of gold and luxury items (-1.2%). Moreover, acquisitions and the addition of new pawnshops, on the heels of higher gold prices this year (+65.0%), supported the growth of its outstanding loan book and loan disbursements, which in turn led to higher interest income. All in all, contributing to a lower default rate, which explains the softening in its trading activities.

Under the Pawnbrokers (Control and Licensing) Regulations 2004, Well Chip charges a monthly profit rate of 1–2% on its disbursed loans. Costs are largely confined to financing expenses, making the segment a high-margin business, lifting its overall contribution to the bottom line relative to its complementary segment.

Fig #6 Gross profit segmental breakdown



Source: Well Chip Group Berhad

Earnings Forecast. We expect the Group's earnings to grow by 47.1%/11.2%/10.2% over the next three financial years, on the back of:

- Outstanding loan book to reach 2,179.3/2,970.9/3,744.7bn in tandem with the elevated gold price.
- Additional outlet openings pursuant to IPO proceeds, expanding WCGB's geographical presence, allowing the Group to take on higher-volume tickets.
- Depreciation expenses are expected to remain modest, as revenue growth and its lucrative GPM profiles should offset the additional overhead costs.

Valuations. We are **initiating coverage on Well Chip Group Berhad** with a **BUY** rating and a **price target of RM2.09**, representing a 30.6% upside from the current share price of RM1.60. Our valuation is based on a target P/E ratio of 15.0x pegged to FY26f EPS of 13.9 sen. We believe this outlook is supported by WCGB's outlet expansion plans, which bode well for higher pawn ticket volumes, a more constructive gold price outlook consensus next year, sustainable margins, and its relatively larger market capitalisation suggest that Well Chip should at least be trading near the non-banks financing related peers' (fig#5) trailing P/E of 15.2x.

Moreover, WCGB is committed to a dividend payout ratio of up to 35% of PAT, translating into prospective dividend yields of 2.8%, 3.1%, and 3.4% for FY25–FY27f, respectively.



Investment Risks

Strong competition from other industry players. There are more than 805 active licensed pawnbrokers in Malaysia in 2022, therefore WCGB faces strong competition from its peers. In the case that, industry players reduce the offered monthly rates to customers to improve competitiveness, it will adversely affect profit margins.

Exposed to gold price fluctuations. WCGB sells unredeemed pledges of gold and gold jewellery in the case of defaults from clients to recover cash. Therefore, a sustained downtrend in gold prices may cause WCGB to sell the gold items at a loss.

Exposed to physical security risks and trustworthiness of personnel. WCGB operates the retail and trading of jewellery and gold, therefore the operation is subject to theft, burglary which may incur losses from robbers as well as from internal personnel.

Subject to regulatory requirements. Any unfavourable regulatory policies from the authorities such as the lowering of the maximum allowed interest rates may affect profit margins.

Environmental, Social & Governance (ESG) Practices

Environmental. The Group's operations do not generate harmful emissions, but it actively promotes environmentally responsible behaviour. Initiatives include raising staff awareness on sustainability, encouraging "Reduce, Reuse, Recycle" practices, and conserving energy by switching off unused electrical appliances.

Social. Well Chip supports the community by offering short-term pawn loans to underserved individuals in need of quick near term funding needs. The Group also emphasises fair remuneration, equal opportunities, employee training and development, and the maintenance of a safe and supportive workplace.

Governance. The Group upholds high standards of corporate governance guided by the MCCG, As of the latest practicable date, half of the Board comprises independent directors, and the Group has achieved the MCCG's recommendation of at least 30% female representation, with women making up 4 of 8 Board members.



Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Cash	12	70	209	89	25
Receivables	416	526	696	947	1,192
Inventories	32	27	32	38	44
PPE	8	7	10	21	32
Others	28	55	55	(122)	5
Assets	496	686	1,003	973	1,298
Debts	192	182	411	486	557
Payables	80	57	96	114	131
Others	20	26	26	26	26
Liabilities	292	264	533	626	714
Shareholder's equity	203	421	470	524	584
Minority interest	-	-	-	-	-
Equity	203	421	470	524	584

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	204	222	267	316	362
EBITDA	54	75	113	125	138
EBIT	50	73	108	120	132
Net finance income/ (cost)	(0)	(0)	(0)	(0)	(0)
Associates & JV	-	-	-	-	-
Profit before tax	50	72	107	119	131
Tax	(15)	(21)	(32)	(36)	(39)
Net profit	35	51	75	84	92
Minority interest	-	-	-	-	-
Core earnings	35	51	75	84	92
Exceptional items	-	-	-	-	-
Reported earnings	35	51	75	84	92

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Core EPS (sen)	5.9	8.5	12.5	13.9	15.3
P/E (x)	26.8	18.5	12.5	11.3	10.2
EV/EBITDA (x)	19.5	14.1	9.4	8.4	7.6
DPS (sen)	0.8	4.0	4.4	4.9	5.4
Dividend yield	0.5%	2.5%	2.8%	3.1%	3.4%
BVPS (RM)	0.34	0.70	0.78	0.87	0.97
P/B (x)	4.6	2.2	2.0	1.8	1.6
EBITDA margin	26.5%	33.6%	42.3%	39.7%	38.1%
EBIT margin	24.7%	32.7%	40.4%	37.9%	36.4%
PBT margin	24.5%	32.5%	40.2%	37.8%	36.3%
Net margin	17.3%	23.0%	28.2%	26.5%	25.4%
ROE	18.8%	16.3%	16.9%	16.8%	16.6%
ROA	7.6%	8.6%	8.9%	8.5%	8.1%
Net gearing	88.5%	26.6%	42.8%	75.8%	91.1%

Assumptions

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Loan book	399	506	780	928	1,170
% Growth	22.5%	26.8%	54.1%	19.0%	26.0%

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	50	72	107	119	131
Depreciation & amortisation	4	2	5	6	6
Changes in working capital	(95)	(129)	(135)	(239)	(234)
Share of JV profits	-	-	-	-	-
Taxation	(15)	(21)	(32)	(36)	(39)
Others	17	28	(3)	(3)	47
Operating cash flow	(39)	(47)	(57)	(153)	(89)
Net capex	(3)	(1)	(6)	(14)	(14)
Others	2	(12)	-	-	-
Investing cash flow	(1)	(13)	(6)	(14)	(14)
Changes in borrowings	46	(10)	229	76	71
Issuance of shares	-	-	-	-	-
Dividends paid	-	-	(26)	(29)	(32)
Others	19	158	-	-	-
Financing cash flow	65	147	202	46	39
Net cash flow	25	87	139	(121)	(64)
Forex	0	0	-	-	-
Others	-	-	-	-	-
Beginning cash	9	12	70	209	89
Ending cash	12	70	209	89	25

Disclaimer

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

