

# ValueMax (VMAX SP)

**Not Rated**

## Growing From Outlet Expansion, Higher Gold Price

- **A proxy to the increase in the price of gold.** ValueMax's share price performance has had a high correlation to gold prices (at a ratio of 0.8 out of 1) over the past four years. Hence, we believe it is a strong proxy to the gold price uptrend. The stock trades at its historical P/E of just 6.6x – below that of regional peers – and provides upside to growth, mainly driven by loan book expansion via new outlets and acquisitions.
- **Strong gold price supports outlook for growing loan book.** Based on our analysis, the correlation between the price of gold and amount of pawnbroking loans given in Singapore is relatively strong, at 0.7. A higher gold price, therefore, supports a larger amount of loans given. Between the gold price and value of loan per pledge, the correlation is even stronger, at 0.9. As such, while customers are pledging for more loans when the price of gold is high, each pledge would yield a higher loan amount. An environment of strong gold price bodes well for pawnbrokers – providing them with the ability to supply more loans and increase loan book for NII revenue growth. Based on Bloomberg consensus for gold forward contracts, the current gold price – which is at c.USD3,300/oz – is expected to reach c.USD3,450/oz by 2Q26. Hence, the tailwind from a more elevated gold price is expected to benefit VMAX.
- **Outlet expansion is supporting larger loan book and interest income.** VMAX's core strategy is to expand store network and acquire smaller pawn shops to grow its loan book. It seeks to grow its loan book through opening more outlets to gain higher footfall from more customers, and via acquisitions. Through store network expansion and customer base, VMAX is able to grow its number and value of pledges for a larger loan book that will translate into higher NII.
- **Higher gold price is driving retail and trading of jewellery and gold segment.** Growth is further supplemented by gold trading and retail segment, which is largely driven by a rising gold price. Sales of VMAX's retail and trading of jewellery and gold segment tracks the gold price almost perfectly at a correlation of 0.96 out of 1. In a high gold price environment, VMAX's gold trading customers will tend to offload their gold inventory, increasing trading activities and revenue. We expect this segment to continue benefitting from a higher expected gold price outlook.
- **Key risks.** Fluctuation in gold prices, the USD, and interest rates, could affect profitability. A decline in gold price will lower the value of VMAX's gold inventory and the amount of loans it can extend to customers. Unredeemed pledges in a lower gold price environment may also result in the loss of interest income, and a lower realisable value from its gold collateral.

Target Price (Return):	N/A
Price:	SGD0.61
Market Cap:	USD445m
Avg Daily Turnover (SGD/USD)	0.07m/0.05m

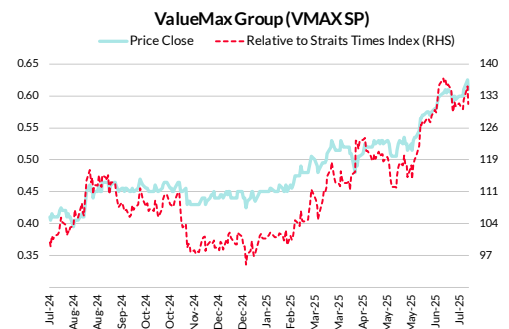
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**Share Performance (%)**

	YTD	1m	3m	6m	12m
Absolute	38.6	6.1	17.3	35.6	48.8
Relative	29.8	0.8	3.6	26.4	31.1
52-wk Price low/high (SGD)				0.40	-0.63



Source: Bloomberg

Forecasts and Valuation	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Total turnover (SGDm)	276	276	287	331	456
Recurring net profit (SGDm)	34	42	44	53	74
Recurring net profit growth (%)	24.7	22.5	7.0	19.0	40.3
Recurring P/E (x)	9.07	8.93	9.38	8.47	6.58
P/B (x)	1.4	1.2	1.2	1.1	1.0
P/CF (x)	23.56	na	na	126.76	na
Dividend Yield (%)	3.0	3.1	3.3	3.6	4.4
EV/EBITDA (x)	12.36	13.73	16.32	13.99	11.06
Return on average equity (%)	15.0	14.5	12.9	13.4	17.7
Net debt to equity (%)	116.5	130.7	162.5	139.5	129.5

Source: Company data, RHB

**Note:**

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

## Financial Exhibits

Asia	Financial summary (SGD)	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Singapore	Recurring EPS	0.07	0.07	0.07	0.07	0.09
Financial Services	DPS	0.02	0.02	0.02	0.02	0.03
ValueMax	BVPS	0.44	0.50	0.51	0.56	0.60
VMAX SP	Return on average equity (%)	15.0	14.5	12.9	13.4	17.7
Not Rated						
Valuation basis	Valuation metrics	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
N/A	Recurring P/E (x)	9.07	8.93	9.38	8.47	6.58
	P/B (x)	1.4	1.2	1.2	1.1	1.0
	FCF Yield (%)	4.1	(42.4)	(39.5)	(0.4)	(13.9)
	Dividend Yield (%)	3.0	3.1	3.3	3.6	4.4
	EV/EBITDA (x)	12.36	13.73	16.32	13.99	11.06
	EV/EBIT (x)	14.27	15.63	18.53	15.56	11.99
Key drivers	Income statement (SGDm)	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Strong gold price environment supports loan book growth.	Total turnover	276	276	287	331	456
	Gross profit	60	75	82	100	130
	EBITDA	45	55	59	72	98
	Depreciation and amortisation	(6)	(7)	(7)	(7)	(8)
	Operating profit	39	48	52	65	90
	Net interest	(4)	(2)	(3)	(7)	(9)
	Pre-tax profit	40	50	53	63	98
	Taxation	(6)	(8)	(8)	(10)	(14)
	Reported net profit	34	42	44	53	83
	Recurring net profit	34	42	44	53	74
Key risks	Cash flow (SGDm)	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Fluctuation in gold prices, the USD, and interest rates.	Change in working capital	(25.1)	(202.2)	(209.8)	(55.2)	(138.2)
	Cash flow from operations	13.0	(154.8)	(164.1)	3.5	(56.3)
	Capex	(0.6)	(2.4)	(0.5)	(5.2)	(11.4)
	Cash flow from investing activities	(2.1)	(1.6)	0.2	(5.1)	(11.3)
	Dividends paid	(1.2)	(10.5)	(1.8)	(14.6)	(19.1)
	Cash flow from financing activities	(5.1)	159.8	155.6	6.0	64.9
	Cash at beginning of period	49.6	11.8	14.6	11.0	15.5
	Net change in cash	5.8	3.4	(8.2)	4.5	(2.7)
	Ending balance cash	11.8	14.6	11.0	15.5	16.8
Company Profile	Balance sheet (SGDm)	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
VMAX is a pawnbroking chain with over 45 outlets across Singapore. Services include pawnbroking, secured moneylending, as well as the retail and trading of pre-owned jewellery and gold.	Total cash and equivalents	12	15	11	15	17
	Tangible fixed assets	27	28	27	31	41
	Total investments	23	26	28	31	49
	Total assets	591	799	1,010	1,077	1,247
	Short-term debt	267	404	577	565	641
	Total long-term debt	42	39	33	49	46
	Total liabilities	336	472	641	648	729
	Total equity	255	327	369	429	518
	Total liabilities & equity	591	799	1,010	1,077	1,247
	Key metrics	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
	Revenue growth (%)	17.0	(0.2)	4.2	15.3	37.8
	Recurrent EPS growth (%)	9.5	1.5	(4.8)	10.7	28.7
	Gross margin (%)	21.7	27.3	28.6	30.3	28.5
	Operating EBITDA margin (%)	16.3	19.9	20.6	21.7	21.4
	Net profit margin (%)	12.3	15.1	15.5	16.0	18.2
	Dividend payout ratio (%)	30.0	29.5	32.2	31.3	27.4
	Capex/sales (%)	0.2	0.9	0.2	1.6	2.5
	Interest cover (x)	9.61	20.38	16.67	9.80	10.08

Source: Company data, RHB

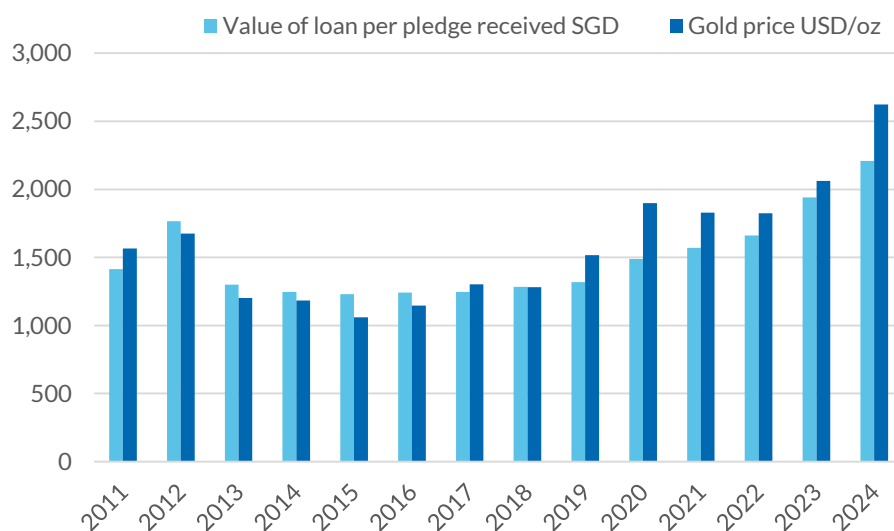
## Investment Merits

### Gold price increase tends to drive higher loan values

**Strong gold price supports outlook for growing loan book.** Based on our analysis, the correlation between the price of gold and amount of pawnbroking loans given in Singapore is relatively strong at 0.7. A higher gold price, therefore, supports a larger amount of loans given.

Between the gold price and value of loans per pledge, the correlation is even stronger at 0.9. As such, while customers are pledging for more loans when the price of gold is high, each pledge would yield a higher loan amount. An environment of strong gold price bodes well for pawnbrokers – providing them with the ability to supply more loans and increase loan book for NII revenue growth. With the price of gold at an all-time high of more than USD3,000 per oz, the growth outlook of pawnbrokers' loan book is positive against the backdrop of a turbulent global economy.

**Figure 1: Gold price to drive higher loan value, correlation is strong**



Source: SingStat, RHB

**Value of loans commensurate with gold prices.** The value of loans given in 2024 amounted to SGD8.4bn. This was largely correlated with the gold price. Similar to 2012, when gold prices spiked, the value of loans per pledge received tends to be higher than in other years. As gold prices remain elevated for now, this will support the outlook for higher loan values and loan book growth.

### Growing loan book via a larger store network

**The core strategy is to expand the store network and acquire smaller pawn shops to grow the loan book.** VMAX seeks growth for its loan book through the opening more outlets to gain higher footfall from more customers, as well as through acquisitions. On average, it opens 2-3 new outlets annually. VMAX is usually not active in seeking out acquisition targets, but is usually approached by smaller pawnbrokers facing succession issues or are seeking an exit – these players approach for them to be acquired. Opening new outlets in new locations is also central to its growth strategy. Through the expansion of outlets and customer base, VMAX is able to grow its number and value of pledges for a larger loan book that will translate into higher NII.

**Growth in the retail and trading segment is highly dependent on gold price.** Sales of VMAX's retail and trading of jewellery and gold segment tracks the gold price almost perfectly at a correlation of 0.96 out of 1. The company is one of the largest traders of pre-owned jewellery and gold in Singapore. Gold trading customers consist of smaller pawnbrokers and jewellery retailers that want to turn their excess gold inventory into cash, as well as gold factories, wholesalers, and gold refiners. In a high gold price environment, trading customers tend to offload their gold inventory, increasing trading activities and revenue. Conversely when gold price declines, gold trading activities would be lower due to the lower realisable value of gold, which leads to lower trading activities and revenue for VMAX.

Trading activities include reconditioning jewellery items for sale as pre-owned items or melting them into other gold items such as investment grade gold bars. The company's trading arm purchases customers' excess inventory at market prices. It then either reconditions the products and resells them at its retail outlets or converts the gold into bars before selling them at marked-up prices. Sales for gold trading is, hence, highly dependent on gold price. With gold prices at elevated levels currently, the outlook for gold trading should likely remain robust, in our view.

**Retailing of jewellery and gold supports sales.** In the retailing of jewellery and gold, VMAX specialises in selling more reconditioned, as good as new jewellery products rather than new gold and jewellery pieces. As a leading gold trader in the market, its source of supply comes from its gold trading customers, where it can choose to recondition jewellery pieces or process them into other items such as gold bars. Since the default rate from its pawnbroking business is low, VMAX's source of pre-owned jewellery and gold from unredeemed pawnbroking pledges would be less significant when compared to its sources of jewellery and gold from its trading business. The company's strategy for retail is to grow sales of reconditioned jewellery and gold at its outlets through better branding, staff training, and customer service. It adopts a value strategy that prices its products competitively, often at the lower end of the market. Sales are largely dependent on market price of gold, where it sees more retail customer purchases at lower gold prices.

**Robust demand for auto financing fuelling moneylending growth.** VMAX's moneylending started when customers – eg gold wholesalers and traders – sought the company for more loans. It gradually evolved into a secured moneylending business that provides vehicle financing to both individual and corporate customers. It also provides general financing to businesses using property as collateral. As moneylending licensing rules prevent it from advertising to grow its loan book and customer base, growth will depend largely on vehicle demand and sales, as well the number of business opportunities that require financing in Singapore. While moneylending has the highest PBT margins and contributes significantly to profit before tax, restrictions from licensing requirements prevents VMAX from actively promoting the segment to obtain more loans for growth. As such growth will be dependent on customers seeking out the company for more loans through better market demand for loans, word of mouth, and customer service levels. Vehicle demand for now remains buoyant based on the current certificate of entitlement price trend. Business consulting firm Nexdigm projects that the Singapore auto finance market will grow positively at a 6-year CAGR of 8% till 2030 from c.USD10bn in 2024.

## Valuation

**Trading in line with local peers.** VMAX is trading at around 6-7x historical P/E, in line with its Singapore peers. Our basket of regional peers includes both Singapore- and Bursa Malaysia-listed pawnbrokers. Malaysia has a higher valuation, in line with the KLCI's higher multiple vs the STI, owing to better margins and collectively better earnings growth rates in recent years. The overall sector's indebtedness is generally high, as it requires debt funding to extend more loans to grow its loan book and interest income. Nonetheless, VMAX has the highest net margin amongst its Singapore peers due to its comparatively lower gearing. It also has one of highest dividend yield amongst regional peers as well.

Figure 4: Peer comparison

Company		Market cap (USDm)	Px last	P/E (act)	P/E (yr1)	P/E (yr2)	ROE (%)	Operating margin (%)	Net margin (%)	Dividend yield (%)	Net gearing (x)
ValueMax Group	VMAX SP	445	0.61	6.6x	n/a	n/a	18%	21%	18.2%	4.4%	129.5%
MoneyMax Financial Services	MMFS SP	193	0.56	6.5x	n/a	n/a	23%	4%	12.7%	2.5%	312.3%
Aspial Lifestyle	ASPL SP	181	0.13	5.6x	n/a	n/a	17%	12%	5.8%	6.2%	272.8%
Well Chip Group	WELLCHIP MK	161	1.14	11.1x	11.4x	10.4x	17%	32%	22.5%	3.5%	25.6%
Pappajack	PPJACK MK	172	0.95	29.2x	n/a	n/a	10%	30%	20.3%	1.1%	8.8%
Evergreen Max Cash Capital	EMCC MK	79	0.30	13.1x	n/a	n/a	11%	30%	19.0%	n/a	52.4%
			<b>Average</b>	<b>14.7x</b>	<b>11.4x</b>	<b>10.4x</b>	<b>14%</b>	<b>25.8%</b>	<b>16.9%</b>	<b>3.6%</b>	<b>89.9%</b>

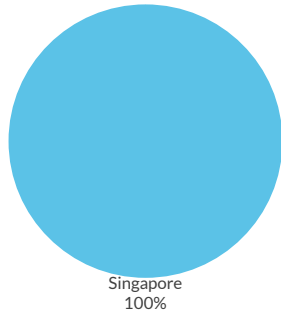
Source: Bloomberg

**Dividend.** VMAX has consistently paid out dividends annually for at least the past 10 years. Its dividend payout ratio over this period averaged 35%. Due to its growing loan book and earnings traction, we expect dividends to continue to be declared, going forward.

## Company Description

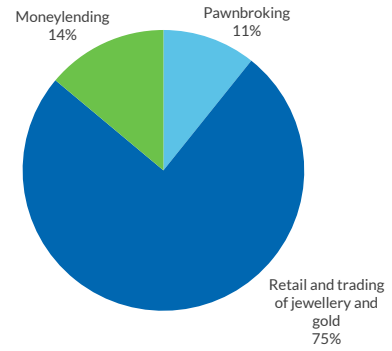
Founded in 1988, VMAX is a pawnbroking chain with over 45 outlets across Singapore. Services include pawnbroking, secured moneylending, and the retail and trading of pre-owned jewellery and gold. It also operates around 27 outlets in Malaysia through affiliated companies.

Figure 5: Revenue by geography (FY24)



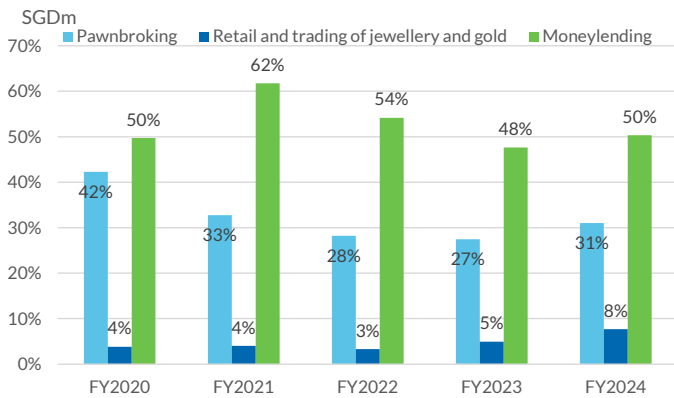
Source: Company data

Figure 6: Revenue by product segment (FY24)



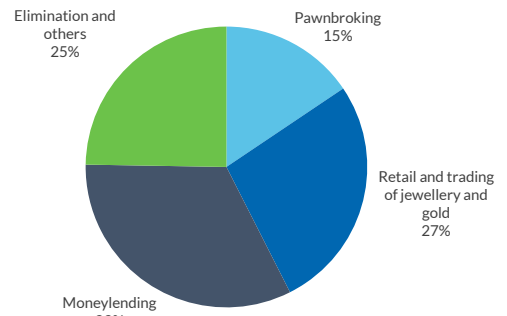
Source: Company data

Figure 7: Segmental margins (FY24)



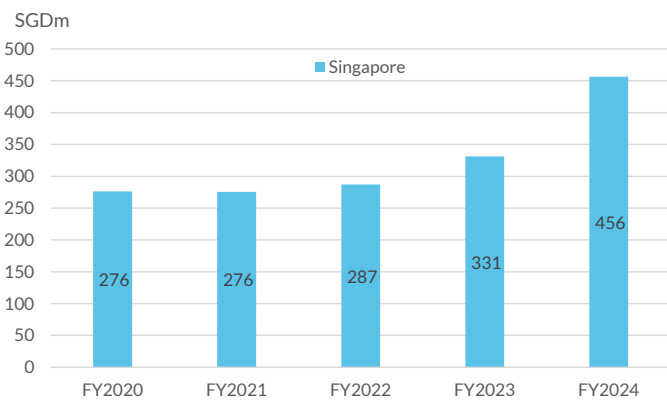
Source: Company data

Figure 8: Segmental profit before tax mix (FY24)



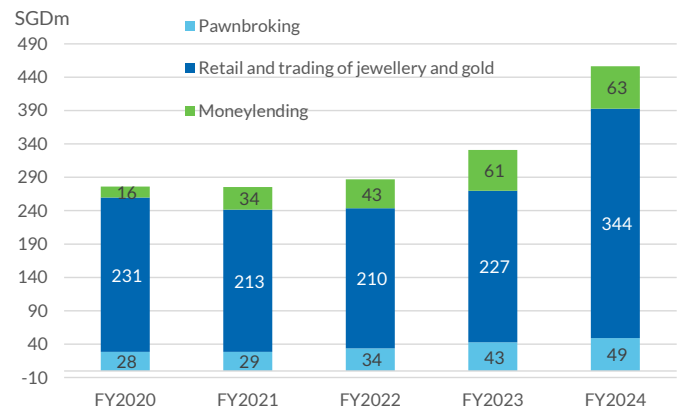
Source: Company data

Figure 9: Revenue by geography



Source: Company data

Figure 10: Revenue by segment



Source: Company data

**Key business segments.** VMAX operates three key segments – pawnbroking, retail and trading of jewellery and gold, and moneylending – and other operations including investment holding and provision of support services.

Pawnbroking provides collateralised loan to pawners who pledge personal valuables as collateral which include jewellery in yellow or white gold, diamond jewellery, and branded time pieces. VMAX also accepts gold, platinum, and silver bars and coins as pledges.

Retail and trading of jewellery and gold sells new and pre-owned jewellery at all its outlets. The merchandise includes gold and diamond jewellery, gold bars and coins, branded watches and Hermès bags. Pre-owned items are sold at attractive prices. VMAX's gold trading activities include purchasing scrap gold from pawnbrokers and jewellery traders and selling fine gold bars to jewellery factories, wholesalers and retailers.

Moneylending grants secured and unsecured term loans, targeting businessmen and corporates with urgent cash needs. It also offers hire purchase and floor stock financing for the automotive industry's consumers and businesses.

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<b>Buy:</b>	Share price may exceed 10% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
<b>Sell:</b>	Share price may fall by more than 10% over the next 12 months
<b>Not Rated:</b>	Stock is not within regular research coverage

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