

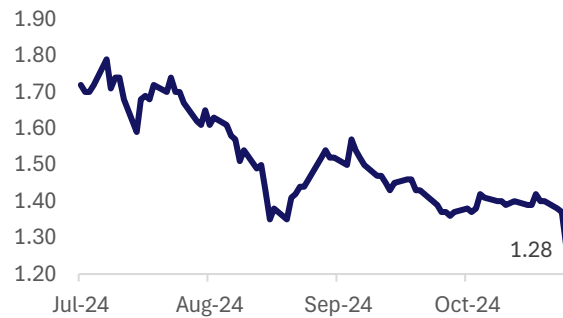


WELL CHIP GROUP BERHAD

Share Price (RM)*	1.28
Market Cap (RM mil)*	768.00
Market	Main
Stock Code	5325
Sector	Financial Services
FTSE ESG Rating	N/A
Shariah Compliance	No

*As of 13 November 2024

Price Chart (RM)*



*Well Chip Group Berhad was listed on 23 July 2024

Company Profile

1. Background

Could you provide us a brief introduction to your company, including key milestones achieved throughout the years?

Well Chip group started its remarkable 17-year journey with the opening of its first pawnshop in Johor in 2007. Over this 17-year period, our group grew its network of outlets to be a trusted financial services provider, catering primarily to Malaysia's underserved informal economy. We expanded our operations further in 2009 with the opening of its first retail store, creating an additional channel to support our pawnbroking business.

Today, we commanded a significant market share in Johor by revenue, underpinned by a network of 23 pawnshops and four retail stores across the state. Our revenue of RM203.68 million for the FYE2023 was translated into a 36.1% market share of the RM564.8 million pawnbroking industry in Johor in 2023*.

We achieved our latest significant milestone with its listing on Bursa Malaysia's Main Market in July 2024.

**(based on the Independent Market Research Report (IMR) prepared by Protégé Associates Sdn Bhd)*

2. Operation

What are your products and service offerings? Who are your typical customers?

Well Chip Business Model

Business segment	Pawnbroking services	Retail and trading of jewellery and gold
Product/ Services	<ul style="list-style-type: none"> Provision of pawn loans in exchange for pledges such as gold and gold jewellery, luxury watches and diamond jewellery 	<ul style="list-style-type: none"> Retail sale of new and pre-owned jewellery Sale of scrap gold acquired from unredeemed and bid pledges, and pre-owned jewellery from walk-in individuals
Revenue model	<ul style="list-style-type: none"> Monthly interest charge based on the pawn loan amount One-off administrative fee for issuance of pawn ticket 	One-off sales
Channels	23 pawnshops in Johor	<ul style="list-style-type: none"> 4 retail outlets in Johor Website and e-commerce platforms Scrap gold traders
Customers	Individuals aged 18 and above	<ul style="list-style-type: none"> End customers Scrap gold traders

We offer pawnbroking services whereby our customers can obtain short term pawn loans of up to six months in exchange for collateral such as gold, gold jewellery, diamonds and luxury watches,



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We have a wide range of customers who are seeking short term financing for personal and SME business. About 90% of our customers are Malaysians, and we estimate that approximately 70% of them are repeat customers.

The pawnbroking process involves clients bringing their gold, diamonds, or watches to be assessed, and in return, a loan amount based on the assessed value will be offered as the pawn loan. The pawn loans are issued with a term of up to six months, but clients have the flexibility to redeem and repay the loan earlier than six months. We offer a three-month grace period before unredeemed items are sent to auction, providing customers with extra time to reclaim their valuables.

Complementing the pawnbroking business, we operate a retail gold and trading segment. This segment enables the resale of unredeemed items, such as gold, gold jewellery, diamond and luxury watches and offers new gold jewellery items for sale at its retail outlets.

3. Financial

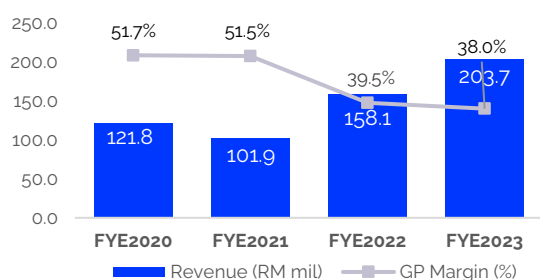
Describe your recent financial performance. Any dividend policy?

In FYE2023, we posted revenue of RM203.6 million, up by 28.8% year-on-year (YoY) (FYE2022 – RM158.1 million). Our gross profit rose 23.8% YoY during the same period to RM77.4 million (FYE2022 – RM62.5 million) while our PAT grew 40.1% to RM35.3 million (FYE2022 – RM25.2 million).

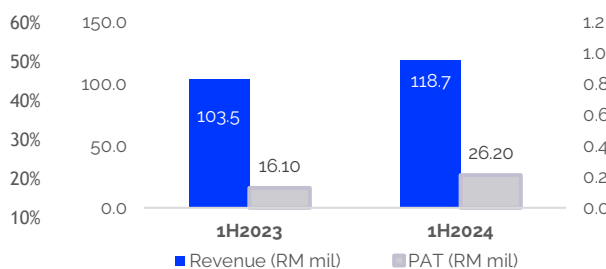
The growth exhibited in 2023 has continued into 2024 with our revenue growing 14.7% YoY to RM118.7 million for the first half (1H) of 2024 (1H23 – RM103.5 million), while our PAT increased by 62.7% YoY to RM26.2 million (1H23 – RM16.1 million).

As detailed in our IPO prospectus, our group has committed to paying out 35% of PAT as dividends for the next three financial years.

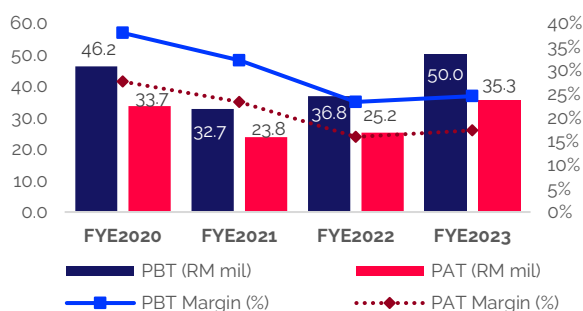
Yearly Revenue and GP Margin



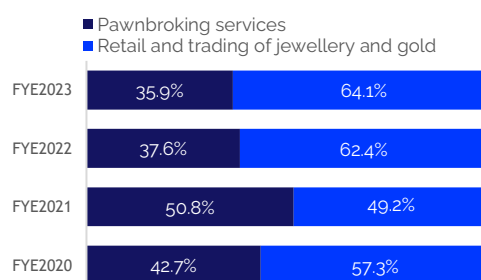
Semi-Annual Revenue and PAT



Yearly Profit and Margin



Yearly Revenue Breakdown by Business Segment





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4. Competitiveness

What are your strengths and key success factors?

One of our key competitive strengths is our deep industry experience of our major shareholders and management team, who have over 40 years of expertise in the pawnbroking industry. This wealth of knowledge enables Well Chip to adopt industry best practices, ensuring we operate with efficiency, integrity, and a customer-centred approach.

By leveraging on shared IT infrastructure, we streamline our operations, enhance security, and deliver a seamless experience to our clients.

Apart from competitive pawn interest rates charged, we are also able to differentiate ourselves from other players using our mobile app which enables our clients to check their loan balance, pay interest online and to renew their loans,

Our combined experience offers insights into market trends and evolving consumer needs, enabling us to anticipate and adapt, thus positioning strategically for growth and long-term sustainability.

5. Challenges

What are the key risk factors that the company faces and how do you address them?

One of the key challenges our group faces is the importance of experienced skilled appraisers as well as equipment to accurately value the collateral items brought into our stores. Proper valuation is crucial to ensure the collateral's authenticity and legitimacy, and to determine an accurate loan amount that both satisfies the customer and aligns with our guidelines.

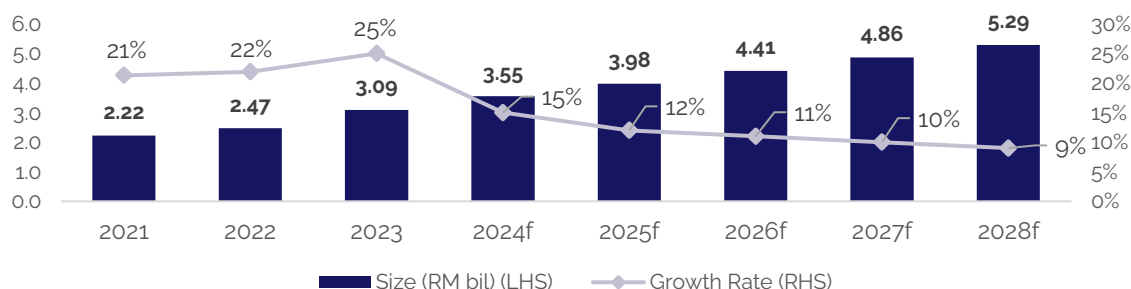
Another challenge is the availability of cash capital. Adequate cash capital float is crucial to be able to disburse pawn loans to our customers and is also key to customer retention. With the IPO proceeds and a good track record and relationship with the banks, we have set aside sufficient cash capital to fund its future growth.

6. Industry and market outlook

What is your outlook on the Pawnbroking industry and the gold and jewellery market?

We remain optimistic about the future of the Pawnbroking industry. The IMR included in our IPO prospectus stated that the industry is expected to continue growing with a CAGR of 11.4% from 2024-2028.

Historical Size (Revenue) and Growth Forecast for the Pawnbroking Industry in Malaysia, 2020-2028



Source: IMR Report

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7. Market outlook

With gold prices hitting an all-time high recently, how would this impact your business?

On our pawnbroking segment, as gold prices trend upwards, the main impact is the group would be able to disburse higher average pawn loans as the collateral value is now higher which is backed by higher gold prices. The group has consistently offered pawn loans which are reflective of market prices of gold over the group's history.

8. Growth

Could you share the company's growth strategies and what are the KPIs/target that the company has set to achieve? Any merger or acquisition?

Our growth strategy includes expanding our footprint with seven new outlets in the coming year, marking an exciting phase of growth with two of these locations set to open in Melaka.

Apart from outlet footprint growth, our group aims to drive continued growth on existing outlets supported by higher cash capital from its recent IPO proceeds as well as support from our bank partners.

As for potential mergers and acquisitions, we remain open to exploring strategic opportunities that align with its long-term objectives.

9. ESG

Tell us more about your efforts in sustainability and how do you incorporate ESG practices into your business?

Pawnbroking, at its core, is an inclusive financial service that promotes access to credit for those who may not qualify for traditional bank financing. This bridge the gap for underserved individuals and small business owners, providing a lifeline for short-term financing needs without the need for a credit history of the borrower. In this way, our business contributes directly to social sustainability by fostering financial inclusivity across all segments of society. In terms of diversity, our group is led by an all-lady management team, as well as the board being comprised of 50% female board members.

10. Value proposition

Lastly, what is your value proposition and why should investors invest in your company?

Well Chip's growth is fuelled by its IPO proceeds which will be used to grow its loan book and a planned expansion of seven new outlets. This expansion aims to strengthen Well Chip's position within a niche market where it can further benefit from economies of scale.

The group's key value proposition is where it provides quick financial services to an underserved community meeting the needs of individuals and SMEs, Well Chip plays a crucial role in bridging financial gaps and supporting economic resilience within these communities.

We remain conservative and targets sustainable growth with a key focus on profitability and margins.

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