

25 May 2026

## Well Chip Group

### Scaling Up Loan Book and Presence

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WELLCHIP's 1QFY26 net profit came in within expectations (+56% YoY). Following the receipt of six conditional approvals for outlet expansion, the group is now positioned to further strengthen its footprint in Johor alongside a maiden venture into Melaka. We expect these new outlets to become largely operational by 2HFY26, with the bulk of FY26 growth still anchored by the three Perak outlets acquired in May 2025. Maintain **OUTPERFORM** and TP of **RM2.00**.

**1QFY26 within expectations.** WELLCHIP's 1QFY26 net profit of RM27.9m made up 26% of our full-year forecast and 30% of consensus full-year estimate.

**YoY**, 1QFY26 net profit rose by 56%. This is largely attributed by the inclusion of the three higher-revenue Perak outlets (acquired in May 2025) in addition to pawnbroking making up 56% of YTD revenue (vs. 1QFY25's 46%) which commands a higher margin as compared to retail jewellery and gold sales.

**QoQ**, 1QFY26 net profit increased by 15%, though this is mainly attributed by lower operating expenses relative to the preceding quarter's higher personnel expense.

**Outlook.** WELLCHIP is expected to continue seeing sustained demand for pawn financing, supported by stabilising gold prices following the peak of the 2026 Middle East conflict. The group's outlet expansion is in progress with six additional outlets (four in Johor, two in Melaka), following the long-awaited conditional approvals from KPKT secured in Dec 2025. Conservatively, we expect these outlets to contribute more meaningfully only from FY27 onwards, with FY26 earnings still largely driven by the three Perak outlets acquired last year.

**Forecast.** Unchanged for now.

**Maintain OUTPERFORM and TP of RM2.00.** Our TP is based on an unchanged GGM-derived PBV of 2.05x (COE: 10.3%, TG: 3.0%, ROE: 18.0%), applied to our FY26F BVPS of RM0.99. Despite the handsome capital upside, we believe we still valued WELLCHIP conservatively as we had pegged our GGM to be lower than the expected 20% ROE in the near-term. Our ascribed valuation is also closely in line with the industry average of 2.1x. This is in spite of WELLCHIP being a standout against its listed pawnbroking peers, with a 3-years earnings CAGR of 50% (vs c.40%) with stronger yields of c.4% (vs. c.2%). WELLCHIP also operates more efficiently with leading net margins of c.30% (vs. average c.19%).

**Risk to our call include:** (i) steep plunges in gold prices; (ii) slowing down in demand for pawn loans; (iii) delay in outlet launches; and (iv) regulatory changes.

## OUTPERFORM ↔

Price : **RM1.39**  
Target Price : **RM2.00** ↔

### Share Price Performance



KLCI 1,712.67  
YTD KLCI chg 1.9%  
YTD stock price chg -12.6%

### Stock Information

Shariah Compliant No  
Bloomberg Ticker WELLCHIP MK Equity  
Market Cap (RM m) 834.0  
Shares Outstanding 600.0  
52-week range (H) 1.75  
52-week range (L) 1.11  
3-mth avg. daily vol. 524,795  
Free Float 83%  
Beta 0.80

### Major Shareholders

VYN Holdings Sdn Bhd 50.7%  
VMM Holdings Sdn Bhd 14.8%  
Hong Leong Co Malaysia 1.8%

### Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
<b>Turnover</b>	270.2	394.4	429.2
Operating Profit	120.4	151.6	168.7
Profit Before Tax	120.3	151.6	168.9
<b>Net Profit</b>	<b>86.1</b>	<b>106.1</b>	<b>118.3</b>
<b>Core Net Profit</b>	<b>86.1</b>	<b>106.1</b>	<b>118.3</b>
Consensus (NP)	-	93.9	103.0
Earnings Revision	-	-	-
Core EPS (sen)	14.4	17.7	19.7
Core EPS Growth (%)	72.3	23.2	11.5
NDPS (sen)	5.1	6.2	6.9
BVPS (RM)	0.81	0.99	1.13
PER (x)	9.7	7.9	7.1
PBV (x)	1.73	1.41	1.23
Net Div. Yield (%)	3.7	4.5	5.0

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## Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
<b>Revenue</b>	<b>76.0</b>	<b>73.9</b>	<b>2.9%</b>	<b>60.0</b>	<b>26.8%</b>	<b>76.0</b>	<b>60.0</b>	<b>26.8%</b>
Cost of Sales	-26.1	-26.2	-0.4%	-27.5	-5.1%	-26.1	-27.5	-5.1%
<b>Gross Profit</b>	<b>49.9</b>	<b>47.7</b>	<b>4.7%</b>	<b>32.5</b>	<b>53.8%</b>	<b>49.9</b>	<b>32.5</b>	<b>53.8%</b>
Other Income	0.3	0.4	-13.7%	0.7	-51.0%	0.3	0.7	-51.0%
Administrative expenses	-11.6	-13.0	-10.6%	-8.5	36.4%	-11.6	-8.5	36.4%
Finance cost	-0.1	-0.1	-2.0%	-0.1	17.6%	-0.1	-0.1	17.6%
<b>Profit Before Tax</b>	<b>38.5</b>	<b>35.0</b>	<b>10.2%</b>	<b>24.5</b>	<b>57.2%</b>	<b>38.5</b>	<b>24.5</b>	<b>57.2%</b>
Tax expense	-10.7	-10.7	-0.5%	-6.6	60.5%	-10.7	-6.6	60.5%
Non-controlling interest	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
<b>Net Profit</b>	<b>27.9</b>	<b>24.3</b>	<b>15.0%</b>	<b>17.9</b>	<b>55.9%</b>	<b>27.9</b>	<b>17.9</b>	<b>55.9%</b>
<b>Core Net Profit</b>	<b>27.9</b>	<b>24.3</b>	<b>15.0%</b>	<b>17.9</b>	<b>55.9%</b>	<b>27.9</b>	<b>17.9</b>	<b>55.9%</b>
Gross Margin	65.7%	64.5%		54.1%		65.7%	54.1%	
Pretax Margin	50.7%	47.3%		40.9%		50.7%	40.9%	
Effective Tax Rate	-27.6%	-30.6%		-27.1%		-27.6%	-27.1%	
Core Net Margin	36.7%	32.8%		29.8%		36.7%	29.8%	
Total Receivables	899.0	831.1	8.2%	549.8	63.5%	899.0	549.8	63.5%
Total Assets	978.4	960.8	1.8%	680.6	43.8%	978.4	680.6	43.8%
Total Equity	511.2	483.3	5.8%	439.0	16.4%	511.2	439.0	16.4%

Source: Company, Kenanga Research

## Segmental Breakdown

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
<b>Total Revenue</b>	<b>76.0</b>	<b>73.9</b>	<b>2.9%</b>	<b>60.0</b>	<b>26.8%</b>	<b>76.0</b>	<b>60.0</b>	<b>26.8%</b>
Pawnbroking	42.4	42.5	-0.2%	27.5	54.3%	42.4	27.5	54.3%
Sale of Jewellery and Gold	33.7	31.4	7.1%	32.5	3.6%	33.7	32.5	3.6%
<b>Total Gross Profit</b>	<b>49.9</b>	<b>47.7</b>	<b>4.7%</b>	<b>32.5</b>	<b>53.8%</b>	<b>49.9</b>	<b>32.5</b>	<b>53.8%</b>
Pawnbroking	36.4	37.1	-2.0%	24.3	49.9%	36.4	24.3	49.9%
Sale of Jewellery and Gold	13.6	10.6	28.4%	8.2	65.4%	13.6	8.2	65.4%
<b>Total Gross Margin</b>	<b>65.7%</b>	<b>64.5%</b>		<b>54.1%</b>		<b>65.7%</b>	<b>54.1%</b>	
Pawnbroking	85.8%	87.4%		88.3%		85.8%	88.3%	
Sale of Jewellery and Gold	40.3%	33.6%		25.2%		40.3%	25.2%	

Source: Company, Kenanga Research

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## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>NON-BANK FINANCIAL INSTITUTIONS</b>																	
AEON CREDIT SERVICE M BHD	OP	5.96	6.25	4.9%	3,043.3	N	02/2027	78.2	86.5	3.4%	10.6%	7.6	6.9	0.9	12.7%	31.5	5.3%
BURSA MALAYSIA BHD	OP	8.50	9.25	8.8%	6,879.0	Y	12/2026	37.0	36.4	19.8%	-1.6%	22.9	23.3	8.4	37.1%	35.0	4.1%
CTOS DIGITAL BHD	OP	0.655	0.830	26.7%	1,490.2	Y	12/2026	4.3	4.1	11.8%	-4.1%	15.4	16.0	2.4	15.9%	3.2	4.9%
LPI CAPITAL BERHAD	OP	15.26	16.00	4.8%	6,079.3	N	12/2026	96.2	99.2	4.2%	3.1%	15.9	15.4	2.5	15.6%	88.0	5.8%
SYARIKAT TAKAFUL MSIA KELUARGA BHD	OP	3.46	4.40	27.2%	3,017.8	Y	12/2026	47.1	48.9	2.6%	3.7%	7.3	7.1	1.3	17.3%	19.0	5.5%
WELL CHIP GROUP BHD	OP	1.39	2.00	43.9%	834.0	N	12/2026	17.7	19.7	23.2%	11.5%	7.9	7.1	1.4	19.7%	6.2	4.5%
<b>SECTOR AGGREGATE</b>					<b>21,344</b>					<b>7.6%</b>	<b>4.3%</b>	<b>12.7</b>	<b>12.2</b>	<b>2.1</b>	<b>16.8%</b>		<b>5.0%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

Criterion	Rating				
Customer Privacy	★	★	★		
Data Security	★	★	★		
Financial Inclusion & Capacity Building	★	★	★		
Selling Practices	★	★	★		
Product Sourcing (Retail)	★	★	★		
Employee Diversity & Inclusion	★	★	★		
<b>OVERALL</b>	★	★	★		

☆ denotes half-star  
★ -10% discount to TP  
★★ -5% discount to TP  
★★★ TP unchanged  
★★★★ +5% premium to TP  
★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:****Stock Recommendations\*\***

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

\*\* *The Expected Total Return might contain rounding discrepancy*

\*\*\**Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.*

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