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VALUEMAX GROUP LIMITED

Initiation of Coverage | 17 May 2025

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Rating:	**BUY**
Last Close:	**S$0.530**
Target Price:	**S$0.700**
Upside:	**32.10%**

ALL TIME HIGH PROFIT

ValueMax Group Limited ("ValueMax") is a leading Singapore-based pawnbroking and licensed moneylending group with a diversified business model spanning pawn loans, personal/corporate loans, and the retail/trading of gold and jewellery. Founded in 1988 and listed on SGX Mainboard in 2013, ValueMax has expanded to 49 pawnshop/retail outlets across Singapore (plus 26 associated outlets in Malaysia). The Group has demonstrated robust financial performance: **FY2024 revenue surged to S$456.2 million (up 38% YoY) and net profit to S$82.8 million (up 56.7% YoY) – an all-time high.**

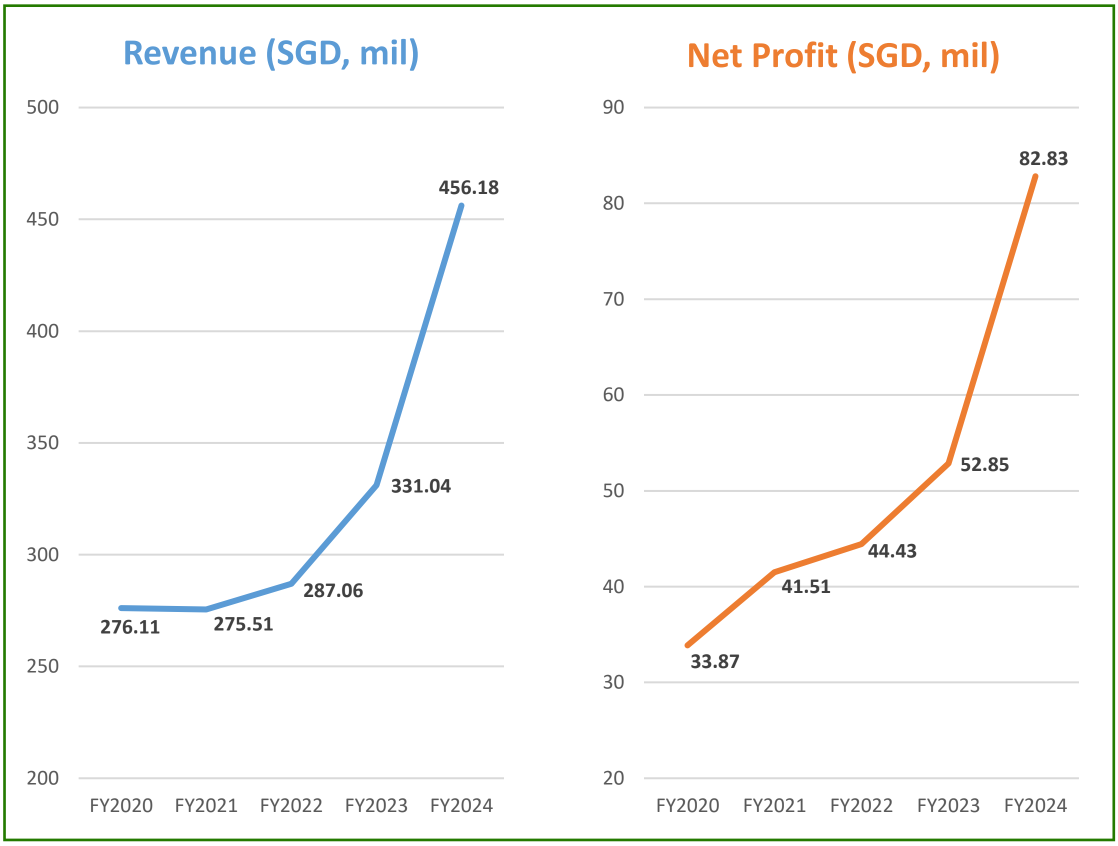

Figure 1: ValueMax's revenue and net profit have grown strongly in recent years, hitting record highs in FY2024.

Despite this growth, ValueMax's stock trades at **undemanding valuations (~5× FY2024 P/E and ~0.9× P/B)**, reflecting a substantial valuation gap relative to its solid **18–19% ROE** and asset-backed earnings. We initiate coverage with a **BUY** recommendation. Our multi-pronged valuation (P/E, P/B, DCF, peer comparison) yields a target price range of **S$0.60–0.75**, with a mid-point of **~S$0.70** – implying ~30% upside from current levels. The investment thesis is underpinned by ValueMax's **resilient, cash-generative business model**, strong risk management (95% of its loan book is secured by tangible collateral), and tailwinds from a counter-cyclical pawn broking industry that tends to thrive during economic downturns. Key risks to our positive view include potential deterioration in collateral values (e.g. a sharp fall in gold prices), credit defaults in the lending portfolio, and adverse regulatory changes. Overall, we see ValueMax as a well-managed market leader in a niche financial segment, offering an attractive combination of **defensive earnings, growth prospects, and dividend yield (~4%)**, at a compelling valuation.

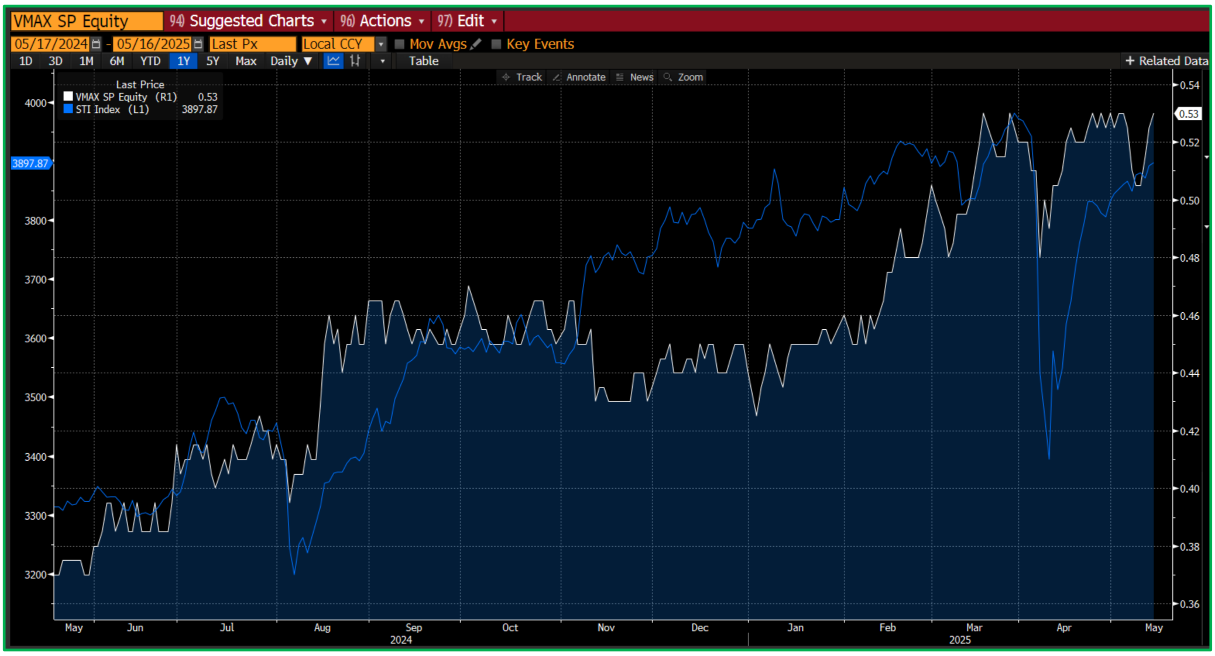

Figure 2: Comparison of ValueMax to STI Index

Investment Thesis

- **Market-Leading, Diversified Business**

ValueMax is one of Singapore's top three pawnbrokers, distinguished as the first pawnshop chain listed on the SGX Mainboard. It operates a **multi-segment business model** – offering short-term secured pawn loans, longer-term secured/unsecured personal and corporate loans, as well as retail and wholesale trading of pre-owned jewellery and gold. This diversification creates multiple revenue streams (interest income and retail margins) that enhance stability. The Group's expansion to nearly 50 outlets locally (and associates in Malaysia) provide a **strong retail footprint** to drive growth and customer reach. Notably, ValueMax has been **judicious in outlet expansion**, yielding higher loans and revenue **per store** than peers, which reflects efficient operations and location strategy.

- **Resilient & Counter-Cyclical Cash Flows**

Pawnbroking and collateralized lending tend to be **defensive and counter-cyclical** businesses. During economic slowdowns or credit crunches, demand for pawn loans typically rises as individuals and small businesses turn to pawnshops for liquidity when banks tighten credit. ValueMax's FY2023 performance exemplified this resilience: management noted that pawn broking proved "**counter-cyclical, thriving even in recessionary periods**". In addition, the surge in gold prices amid global uncertainty (gold is a major form of pawn collateral) has **boosted pledge valuations and sales** of forfeited pledges, effectively supporting margins. This inherent stability is complemented by the Group's **prudent risk management** (95% of the loan book is secured by assets like gold, jewellery, property or vehicles) which protects asset quality and cash flows even during downturns.

- **Strong Financial Performance and Profitability**

ValueMax has delivered consistent growth in earnings, achieving a **5-year net profit CAGR of ~28%** (from S$26.0m in 2019 to S$82.8m in 2024). FY2024 net profit jumped 56.7% YoY to a record S$82.8m, on the back of a 38% revenue surge, driven by higher interest income and retail gold sales. The Group enjoys **high gross margins**, which expanded to 30.3% in FY2023 (vs 28.6% in FY2022) due to a greater contribution of pawnbroking and moneylending revenue (higher-margin segments). Operating leverage is evident – despite opening new outlets, administrative and distribution costs have grown modestly. Net profit margin climbed to ~18% in FY2024 (from ~16% in FY2023), and ROE is robust at ~18–19%. This profitability is underpinned by **wide net interest spreads** in the core lending business (pawn loans typically charge ~1–1.5% interest per month, while ValueMax's cost of funds is ~5–6%) and by lucrative trading of pre-owned gold/jewellery (which benefits from elevated gold prices).

- **Healthy Balance Sheet & Prudent Risk Management**

ValueMax's financial position is solid. **Debt-to-equity stands at 1.4×** as of Dec 2023, lower than that of key peers, indicating a more conservative leverage profile. The Group raised S$23.2m equity via a rights issue in 2023 to strengthen its capital base, and has additional headroom from **144 million outstanding warrants** (strike price S$0.36) that could raise ~S$51.9m if exercised This fortified equity and retained earnings have lifted book value to S$428.9m as of FY2023 (NAV per share ≈ S$0.61). Cash generation, before working-capital changes, remains strong (operating cashflow pre-working capital was S$100.5m in FY2023). While net operating cash flow was modest (S$3.5m) due to the **significant expansion of the loan book and inventory** (trade receivables up S$82.4m in 2023), this reflects growth investment in earning assets rather than cash strain. The loan portfolio's quality is high – over 95% of loans are **asset-backed,** and credit loss provisions remain minimal (allowance for expected credit losses was just S$1.4m in FY2023). The Group also employs **sound risk controls**: strict lending criteria (conservative loan-to-value ratios on pawned items), active monitoring of gold price exposure (through inventory and gold loan management), and a comprehensive framework to prevent money laundering in its gold and moneylending operations. These factors underpin the safety of its earnings and book value.

- **Attractive Valuation and Shareholder Returns**

The market is currently pricing ValueMax at a **steep discount to its intrinsic value**. The stock trades around **5.1× trailing P/E** (FY2024) and **0.87× P/BV** – well below broader market multiples and what its **return on equity (~18%)** would justify. Peers MoneyMax and Maxi-Cash also trade at low valuations (4–5× P/E), reflecting the market's historical caution towards the pawnbroking/moneylending sector. We argue ValueMax deserves a **re-rating** given its larger scale, stronger profit growth, and Mainboard status (higher reporting and governance standards). The company has a track record of paying dividends (FY2023 dividend of **2.20 Singapore cents** per share, up from 2.00 cents in prior year), translating to a **~4.2% yield** at current price – with room for higher payouts as earnings grow. Management has indicated an intent to reward shareholders (historically a ~20–30% payout ratio). In sum, investors are getting a **high-ROE business at a bargain valuation**, with the kicker of a decent dividend yield while waiting for capital appreciation.

Management and Corporate Governance

- **Management Team**

Yeah Hiang Nam, PBM – Executive Chairman

Mr. Yeah is the founder of ValueMax Group and has been serving as Executive Chairman since January 1, 2022. With over 50 years of experience in the gold and jewellery industry and more than 30 years in pawnbroking, he provides strategic leadership and oversees the Group's business operations. He is also a recipient of the Public Service Medal (PBM) and has been recognized for his entrepreneurial achievements.

Yeah Chia Kai – Chief Executive Officer & Executive Director

Appointed CEO on January 1, 2022, Mr. Yeah Chia Kai is responsible for the overall strategy and business development of the Group. He joined ValueMax in 2004 and has held various roles, including Operations Executive and Executive Director. He holds dual MBA degrees from Columbia University and London Business School and has a background in marketing and gemmology.

Yeah Lee Ching – Managing Director, Retail & Trading

Ms. Yeah Lee Ching has been serving as Managing Director, Retail and Trading since October 8, 2024, and as Executive Director since April 12, 2013. She leads the organization's marketing initiatives and oversees valuation, gold trading, and corporate communications. She holds an MBA from the National University of Singapore and a Graduate Gemmologist diploma from the Gemmological Institute of America (GIA).

Liew Shue Ching – Director of Finance / Chief Financial Officer

Ms. Liew has been serving as Director of Finance and CFO since August 31, 2012. She is responsible for the Group's financial planning, reporting, and compliance. With extensive experience in finance, she plays a key role in maintaining the company's financial health.

- **Long-Term Leadership with Deep Industry Experience**

ValueMax Group is led by a seasoned founding team with over four decades of industry experience. **Mr. Yeah Hiang Nam**, the Group's Executive Chairman and co-founder, has been in the pawnbroking and gold trading business since 1979. His deep expertise, long-standing industry relationships, and conservative approach have shaped ValueMax into a market leader since its listing in 2013. He continues to be actively involved in strategic decisions and risk oversight.

His children, **Ms. Yeah Lee Ching** and **Mr. Yeah Chia Kai**, both Executive Directors, represent the second generation of leadership. They bring professional qualifications (including finance and law backgrounds) and appear to be taking on more visible roles in operations and corporate communication. This ensures **succession continuity** while retaining institutional memory. Notably, the transition has been smooth, with no reported governance issues.

- **Board Structure and Independence**

The company maintains a **balanced board** structure, with a mix of executive and non-executive directors. Independent directors, including Mr. Tan Soon Liang (a seasoned finance professional), provide oversight on audit, risk, and remuneration matters. As of the latest disclosures, the Board complies with the **Code of Corporate Governance 2018** issued by the Monetary Authority of Singapore (MAS).

- **Governance Standards and Transparency**

The Group exhibits a commendable level of financial and ESG disclosure for its size. Its annual reports are detailed, and the FY2024 Sustainability Report provides targets across energy usage, staff development, and AML compliance. There are no known governance controversies or MAS reprimands — notable given the sensitive nature of its business in pawnbroking and moneylending.

Management's strategic decision to raise capital through a **rights-cum-warrants issue in 2023**, amid market volatility, demonstrated foresight and prudence — the proceeds were earmarked for growth in a capital-intensive lending model, and not for general operating cash, signalling discipline in capital allocation.

- **Alignment with Shareholders**

The founding family retains a controlling stake (~60% including warrants), ensuring strong alignment with minority investors. Dividends have been consistently paid since IPO, and while the payout ratio is conservative (~25–30%), this reflects a preference for **reinvestment in profitable loan growth** rather than short-term shareholder appeasement.

Business Overview

- **ValueMax's core businesses**

Pawnbroking – providing collateralized loans to individuals secured by gold, jewellery, luxury watches or other valuables.
Moneylending – granting secured and unsecured term loans, including pawnshop-style pledge loans, as well as secured loans against properties, motor vehicles, and hire-purchase financing for vehicles.
Retail & Trading of Gold and Jewellery – selling new and pre-owned gold jewellery, luxury timepieces and Hermes bags through its outlets, and wholesale trading of scrap/fine gold to jewellers and wholesalers.

Pawnbroking is traditionally the largest contributor to gross profit, driven by **interest income on pawn loans** (typically ~1%–1.5% per month interest charged) and profit from the sale of unredeemed pledged items. The moneylending segment, while smaller in revenue share, has been a fast-growing contributor – targeting **business owners and corporates with urgent cash needs** and typically secured by property or autos (ValueMax focuses on secured lending, which comprised the majority of its ~S$118m moneylending loan book in 2023). The retail/trading segment contributes substantial topline volume (lower-margin, high turnover sales of gold and jewellery); for FY2023, retail & gold trading revenue grew by S$17.2m and formed the bulk of the Group's S$331m revenue, but its gross margins are thinner than pawnbroking. The integrated model creates synergies: unredeemed pawn items are transferred to retail inventory and sold at a profit, and the retail storefronts help attract pawn customers and gold trading deals.

- **Geographical Footprint**

As of 2024, ValueMax operates **48 pawn and retail outlets across Singapore** (strategically located in heartland town centres and malls), with one outlet run by an associated company. In Malaysia, it has an interest in **26 pawnshop outlets** via associated companies, making it an early mover in overseas expansion. This network expansion has accelerated in recent years – for example, in FY2023 the Group opened three new outlets in Singapore (including a flagship Islamic pawnbroking outlet at Haig Road to serve the Malay-Muslim community). ValueMax also differentiates with a **premier pawnshop concept** at Waterloo Centre in Singapore, catering to higher-end pledges (VIP rooms for high-net-worth clients). The extensive footprint provides scale advantages in marketing and operations, and underpins the Group's ability to grow its loan portfolio. Competitively, MoneyMax and Maxi-Cash have comparable store counts in Singapore (each ~40–50 outlets currently), but ValueMax's careful site selection is evidenced by its higher **loans receivable per outlet (approx. S$8.8m, vs ~$5m for peers),** indicating more efficient capital deployment per store.

- **Customer Base and Services**

ValueMax's pawnbroking arm serves mainly **retail customers** who require short-term cash loans – these range from lower-income individuals pledging gold jewellery for urgent cash, to middle-class customers using pawnshops as quick liquidity providers. The **typical loan tenure is 6 months** (renewable), and loan size can be a few hundred to a few thousand dollars, depending on the collateral value. By law, pawnshops in Singapore charge interest up to 1.5% per month on pledged goods. The moneylending division serves a slightly different segment: **small businesses and individuals with larger urgent financing needs**, offering secured loans that can be larger and longer-term than pawn loans. For example, ValueMax provides **property-backed secured loans, automobile financing, and floor-stock financing for car dealers**. This segment's target customers are often SMEs or individuals who may not qualify for timely bank credit, thus ValueMax fills a niche between traditional banks (which have strict credit criteria) and illegal loan sharks.
On the retail side, ValueMax caters to **jewellery buyers and gold investors** by selling pre-owned and new jewellery, gold bullion, and luxury watches at competitive prices. The Group's ability to refurbish pre-owned jewellery and watches to "as good as new" condition and sell them at **attractive second-hand prices** is a key value proposition that draws in cost-conscious consumers and sustainability-minded buyers. Notably, the sale of pre-owned jewellery is not just a revenue stream but also supports the pawn business (by monetizing unredeemed pledges) and appeals to an ESG-conscious market (promoting reuse over new mining).

- **Revenue Mix and Drivers**

The **interest income** from pawnbroking and moneylending, and the **sale of gold/jewellery** (retail/wholesale), are the twin pillars of revenue. In FY2023, Group revenue was S$331.0m, of which we estimate **~55–60% came from retail & gold trading** (high volume, low margin sales) and the remainder from interest income and sale of forfeited collaterals (pawnbroking) and interest on loans (moneylending). The **gross profit** mix skews more toward pawnbroking and lending – reflected in the Group's gross profit margin being 30.3%, far higher than the typical margin on retail gold sales, thanks to the rich margins on interest-based revenue. Key drivers for revenue include: the size of the pawn loan book (which determines interest earned and quantity of collateral that may convert to inventory for sale), the interest rates charged and funding costs, the volume of new jewellery retail sales, and the prevailing **gold price** (which influences both consumer demand and the profit on gold trading and scrap sales).

In recent years, **loan book growth** has been a major driver – ValueMax's pawn and loan receivables have expanded in tandem with new outlet openings and higher pledge/ticket sizes, fuelling interest income. For instance, in FY2023 the Group achieved "robust loan growth" across segments, with pawnbroking revenue up by S$8.9m and moneylending revenue growing by S$17.8m. Meanwhile, **gold price volatility** can affect retail/trading turnover: the surge in gold prices amid global uncertainties in 2022–2023 increased selling opportunities (as consumers sold gold to pawnshops and the Group could liquidate at higher prices). ValueMax's management actively navigates these drivers – e.g. executing a **rights-cum-warrants fundraising in 2023 to capitalize on growth opportunities** and issuing commercial papers/notes to ensure sufficient funding for loan book expansion. Overall, the business model is well-balanced between interest income (which is recurring and resilient) and gold/jewellery sales (which provide opportunistic profits and support cash flow).

Financial Analysis

- **Funding Cost and Net Interest Margin**

As a non-bank financial, ValueMax's **cost of funds** is crucial to its profitability. The Group's funding mix comprises bank borrowings, unsecured notes/commercial paper, gold loans (borrowed gold bullion for inventory management), and equity. Interest-bearing borrowings were ~S$614 million as of Dec 2023, against which the Group paid **S$34.1 million of interest in FY2023**. This implies an average funding cost of roughly **5.5%–6.0%**, in line with the higher interest rate environment in 2023. Notably, ValueMax's interest expense more than doubled from S$17.2m in FY2022 to S$34.7m in FY2023, reflecting rising benchmark rates and increased borrowings to fund loan growth.

However, this was **more than offset by higher lending yields**: pawnshop interest rates remained at 1%–1.5% per month (12–18% p.a.) and licensed moneylending rates can legally go up to 4% per month for unsecured loans (capped by regulations) – though ValueMax's secured lending to businesses likely carries lower annualized rates in the mid-teens. The **gross interest margin** therefore remains wide. For perspective, in FY2023 the moneylending revenue of S$17.8m was earned on an average loan book of ~$118m (segment assets), implying a yield of ~15% on that portfolio, while the cost of borrowings (some of which fund the moneylending book) averaged ~5–6%.

Likewise, pawnbroking interest yields are high and inventory funding costs (e.g. gold loans) are built into cost of sales. The result is a **net interest margin (NIM) that is robust**, underpinning overall profitability. Management noted that the **increase in revenue from pawnbroking and moneylending** in 2023 was a key factor improving gross margin, since these businesses have higher margins than jewellery retail. We expect funding costs to stabilize or even decline going forward as interest rates peak and ValueMax leverages more bank partnerships and possibly its MTN (medium-term note) program at competitive rates. The company's **diversified funding sources** – including **bank lines in Singapore/Malaysia, tranches of digital platform commercial papers (ADDX), and a S$300m MTN programme** – give it flexibility to optimize cost of capital. Additionally, the equity raise in 2023 has lowered leverage, which should help moderate interest expense growth.
Overall, we anticipate ValueMax can sustain an attractive NIM, as lending yields remain high (supported by regulatory caps that still allow ~48% p.a. for moneylenders, well above the Group's funding costs) and cost of funds may ease slightly if interest rates soften in 2025.

- **Income Statement Highlights**

FY2024 saw a **breakout financial performance**. Revenue jumped ~38% to S$456.2m on the back of strong loan growth and higher gold trading volumes. We estimate interest-based revenue (pawn + loans) contributed roughly one-third of sales but majority of gross profit. The **gross profit** margin likely improved further from the 30.3% in FY2023, given the revenue mix shift toward higher-margin segments in 2024. Operating expenses remained under control: FY2023 marketing and distribution costs actually fell to S$2.6m (from S$3.0m) due to lower commissions, and admin expenses rose to S$37.1m (from S$33.4m) mainly on higher staff costs for new outlets – indicating no undue cost overruns. Credit cost was minimal: FY2023 had S$2.2m in other operating expenses, mainly a S$1.4m loan loss provision (which is just ~0.2% of the loan book – a very low default ratio). The share of profit from Malaysian associates added S$5.3m in FY2023, highlighting the profitable contribution from its regional stake.

After interest and taxes, **net profit for FY2023 was S$53.5m** (16.2% net margin) and for FY2024 it climbed to **S$82.8m** (approximately 18.1% net margin), benefiting from operating leverage as revenues grew faster than fixed costs. This margin expansion underscores the **scalability** of ValueMax's model – adding loan volume and store count drives revenue, while costs (personnel, rent) increase at a slower pace. The **return on assets** (ROA) is modest (~5% in 2023) due to the asset-heavy nature of holding loans and gold inventory, but the **return on equity** (ROE) was ~13% in 2023 and likely ~18–19% in 2024, boosted by higher earnings on a leveraged equity base. We note that ValueMax's ROE is achieved with prudent leverage (debt/equity 1.4×), whereas peers sometimes use higher leverage. This suggests capacity to further optimize capital structure if needed.

- **Cash Flow and Capital Use**

ValueMax's **operating cash flow (OCF)** exhibits the typical pattern for a growing lender – core operating profit generates cash, but much of it gets reinvested into working capital (loans and inventory). In FY2023, the Group generated S$100.5m in operating cash *before* working-capital changes, roughly matching its EBITDA plus associate income. However, it deployed significant cash into working capital: receivables (loans) rose by S$82.4m, inventory by S$16.8m, and payables fell slightly. Consequently, **net OCF was +S$3.5m.** Investing outflows were S$5.1m (for new outlets and a small acquisition). These were funded by financing inflows of S$6.0m – mainly comprising **net new borrowings of S$3.4m** and **rights issue equity of S$23.2m,** offset by S$15.2m in dividends and S$5.7m lease payments.

Despite heavy reinvestment, the balance sheet liquidity remained comfortable, with cash increasing slightly to S$45.5m at end-2023. We expect a similar pattern in FY2024: strong profits ploughed back into expanding the loan book. Importantly, **free cash flow (FCF)** for equity investors may be limited in high-growth years, but the reinvestment is value-accretive given the high returns on loans. As the business matures, we anticipate ValueMax can moderate loan growth and generate higher free cash (which could translate to higher dividends or share buybacks).

The Group's ability to **tap external funding** (debt or equity) provides flexibility to fund growth without stressing operational cash. For instance, management's proactive capital raising in 2023 (rights issue) and use of medium-term notes ensure that growth does not outstrip capital resources. We also take comfort that in a **stress scenario** (if loan demand drops or collateral is liquidated), ValueMax could release cash from working capital – pawn loans are short-term and self-liquidating (either redeemed for cash or forfeited and sold). The short duration of its assets (>90% of pawn loans have 6-month tenure) gives the company agility in managing liquidity.

- **Balance Sheet and Leverage**

ValueMax's **balance sheet expanded in 2023** with total assets reaching S$1.08 billion. Key asset components include: **Trade & other receivables of S$875.0m** (largely representing the loan book – pawn loans and moneylending receivables – which rose sharply from S$770.3m in 2022) ;

Inventories of S$152.6m (primarily pledged jewellery/gold awaiting redemption or sale, increased from ~S$135m in 2022); cash S$45.5m; and investments in associates ~S$33m. On the liabilities side, **borrowings were S$613.9m** (slightly up from S$610.5m). Notably, short-term borrowings make up the bulk (S$564.7m due within 1 year), which is typical as pawn loans are funded largely by short-term credit lines that are rolled over. The reliance on short-term funding is a risk to monitor, but ValueMax has maintained good relations with banks and also used longer-term debt (S$49.2m of borrowings were non-current as of 2023).

The **debt/equity ratio of 1.4×** is moderate for a financing business – by comparison, banks operate at >8–10× leverage. Moreover, a significant portion of "debt" in ValueMax's case includes gold loan facilities (where the company borrows physical gold to sell or pledge, reducing price risk). The **interest coverage** is very healthy – EBITDA + associate income (~S$100m in 2023) covers interest (S$34m) about 3× and would be higher in 2024 given earnings jump. **Equity** attributable to owners stood at S$423.4m as of Dec 2023 (and likely ~S$485m after adding FY2024 retained profits). Book value per share is around **S$0.60**, up from S$0.53 a year earlier, reflecting earnings retention and the new shares from the rights issue. The **asset quality** metrics are strong: >95% of the loan book is secured by tangible collateral, and loan-to-value (LTV) ratios are conservative (pawn loans typically at ~60–80% of collateral value). As a result, **non-performing loans (NPLs)** are negligible – management did not flag any significant credit impairments, and the collateral cushion means even defaulted loans can be recovered via auction of the pledged asset. The **debt-to-asset ratio** is ~57%, implying a comfortable equity buffer.

In summary, ValueMax's balance sheet is **solid and well-capitalized**, capable of supporting growth while weathering potential shocks (e.g., a decline in gold prices or a rise in defaults). The successful rights issue in 2023 and available warrant capital provide further resilience. We expect the company to maintain a balance of debt and equity such that D/E stays around 1.3–1.5× – enough to enhance ROE, but not so high as to strain covenants or risk profile.

Industry Outlook and Macro Environment

- **Licensed Moneylending Sector Evolution**

Singapore's licensed moneylending industry has undergone significant reforms over the past decade. The **Moneylenders Act** was overhauled in 2008 to better regulate the sector and further tightened in 2015 following public concerns over predatory lending. Since 2015, the government imposed a **cap on interest rates at 4% per month for licensed moneylenders** (for both unsecured and secured loans), along with caps on loan amounts for low-income borrowers and the establishment of a central Moneylenders Credit Bureau. These moves, along with stricter rules on fees and advertising, led to a consolidation – many smaller mom-and-pop moneylenders exited, leaving a core of larger, more professional players.

Today, **licensed moneylenders** (excluding pawnshops) number around 150–160 in Singapore, down from over 200 in the early 2010s, according to Ministry of Law data. The three listed pawnshop groups (ValueMax, MoneyMax, Maxi-Cash) are also licensed moneylenders and have leveraged their scale to grow this segment, especially after 2018 when borrowing caps for foreigners were tightened (creating demand from foreign workers for regulated loans) The sector experienced a surge in loan volumes mid-2010s – e.g., number of licensed moneylending borrowers rose from ~31,000 in 2014 to 40,000 in 2016 – but growth has since moderated under the tighter regime.

The **regulatory stance** is now balanced: authorities aim to ensure access to credit for those underserved by banks, while clamping down on excessive interest and illegal loan sharks. This bodes well for established, compliant players like ValueMax, as smaller unscrupulous lenders are weeded out, and the reputation of licensed lending improves. We expect the licensed moneylending market to grow at a steady single-digit rate, driven by population growth (including foreign workers) and occasional spikes during economic stress. **Competition from fintech lending** is emerging (peer-to-peer platforms, buy-now-pay-later services), but those serve slightly different markets and are also being regulated. ValueMax's focus on secured lending to SMEs and individuals (often using property as collateral) positions it in a relatively protected niche with higher barriers to entry (due to capital requirements and need for valuation expertise). Overall, the moneylending segment should continue to provide growth opportunity, especially if ValueMax leverages its strong capital base to take market share in higher-value secured loans that smaller lenders cannot fund.

- **Pawnbroking Industry Trends**

Singapore's pawnbroking industry is mature but has shown resilience and periodic growth spurts. Pawnbroking is regulated under a separate Pawnbrokers Act – interestingly, pawnshop loan interest is capped at a lower rate (1.5% per month) than moneylenders, reflecting its consumer protection focus and secured nature. The industry saw a **boom in the late 1990s** and again during the **Global Financial Crisis (2008–2009)** as economic hardship led to more pawning of gold and valuables.

Pawn loan balances and redemption rates tend to move with economic cycles: in good times, people redeem items and rely less on pawn loans; in bad times, pawn loan demand surges and redemption rates fall (leading to more forfeited goods for pawnshops to sell). This counter-cyclical dynamic makes pawnshops a **defensive industry**. Indeed, during the Covid-19 pandemic (2020), local pawnshops initially faced disruptions due to lockdowns, but once operations resumed, they saw higher pledges as government cash aid tapered – Maxi-Cash, for instance, saw its profit before tax jump to S$29.3m in 2020 (from S$17.6m in 2019), indicating the pandemic recession boosted business. ValueMax likewise experienced a profit increase in 2020 (PBT up ~29% YoY).

Another trend is the **increasing public acceptance of pawnbroking**. It has shed much of its old stigma as a "last resort" – partly due to rebranding and professionalization by listed chains. Modern pawnshops offer air-conditioned, retail-like environments and even cater to middle-class customers who use short-term pawn loans as a form of bridge financing. As The Edge Singapore noted, pawnbroking and buying pre-owned jewellery are now "more socially acceptable," contributing to growing investor interest in the industry.

The three big players (ValueMax, MoneyMax, Maxi-Cash) have aggressively expanded storefronts over the past decade, indicating confidence in continued demand. Singapore's aging population and a sizable segment of unbanked/underbanked individuals ensure pawnshops remain relevant. **Gold price trends** also significantly impact the industry: when gold prices are high or rising (as in 2020–2023), pawnshops benefit in multiple ways – customers can borrow more against the same jewellery (raising loan balances), and pawnshops earn higher resale value on forfeited gold items (boosting profit). Conversely, a sharp decline in gold prices could squeeze pawnshops (collaterals lose value, and if not adequately buffered by LTV, could result in loan losses or the need to auction more items at lower prices). Fortunately, gold has been on an upward trajectory, trading above US$2,000/oz in recent times amid global inflation and uncertainty.

Our outlook is that **pawnbroking will remain a steady or growing market** in Singapore, with the big three chains possibly increasing their combined market share (through new outlets and possibly acquisitions of smaller pawnbrokers). Government data from IRAS indicates a stable number of pawnshops and steady growth in total pawn loans over the past few years. We also see **regional expansion** (e.g., into Malaysia, as ValueMax has done) as a natural progression, since neighbouring markets have higher pawn interest rates (Malaysia allows ~2% per month interest and a similar socio-cultural acceptance of pawning. ValueMax, with five associated outlets already in Malaysia, is well-positioned to capitalize on that.

- **Economic Conditions and Cyclicality**

The macroeconomic backdrop as we head into 2025 presents **both headwinds and tailwinds** for ValueMax's core business. Singapore's Ministry of Trade and Industry (MTI) recently **downgraded the 2025 GDP growth forecast to 0%–2%** (from 1%–3% prior) due to the drag of the prolonged US–China tariff war and a broader global slowdown. Some economists warn of a possible mild **technical recession in 2025** if external demand remains weak. Such a slowdown domestically could curtail discretionary spending (impacting retail jewellery sales) and strain some borrowers' ability to repay loans. On the other hand, these same conditions often **drive more customers to pawnshops and licensed moneylenders** for short-term financing, as witnessed historically. We thus expect **pawn loan demand to stay robust or even rise** if the economy softens – individuals may pawn gold to meet cash needs, and SMEs might seek bridging loans from ValueMax's moneylending arm if bank credit is less available.

Credit risk might inch up in a recessionary scenario, but given ValueMax's high collateral coverage, we are not overly concerned about loan losses; instead, the risk is a timing issue of more collaterals being forfeited and sold. The external environment is mixed: global inflation is easing, and interest rates may plateau, which would lower ValueMax's interest expense incrementally (a positive), but a global downturn could hurt consumer sentiment. Trade-dependent sectors in Singapore are already feeling the pinch from US–China tensions – however, ValueMax's business is largely **domestically driven and non-trade**, insulating it from direct tariff effects. One noteworthy macro factor is **gold price volatility**. With the Middle East conflicts and lingering geopolitical tensions, gold spiked to record highs in 2024. If economic conditions worsen, investors often flock to gold as a safe haven, potentially keeping prices elevated.

A high gold price environment is generally **favourable for ValueMax** – it increases the value of pawn collateral (reducing loan-to-value risk) and enhances margins on gold sales. In their FY2023 report, management acknowledged that uncertain conditions (interest rate movements, geopolitical risks) could keep gold price volatile, but they are "optimistic about the growing demand for pre-owned jewellery" as consumers hunt for value amid inflation. We share this view: in an inflationary or low-growth environment, buying affordable pre-owned goods and using pawn loans are likely to remain prevalent consumer behaviours.

Additionally, the **Monetary Authority of Singapore (MAS)** has shifted to a more accommodative stance (easing the SGD's appreciation in April 2025) given rising growth risk. This indicates that interest rates in Singapore might not rise further and could decline if a recession looms, relieving some pressure on borrowers. Overall, we believe ValueMax is **well-positioned to navigate the 2025 outlook**: if growth surprises on the upside, its retail and lending businesses will benefit from consumer confidence; if growth falters, its pawn and secured lending services will see higher utilization (acting as a buffer to earnings). Historically, pawnshops have **outperformed in weak economies** (for example, UK pawnbrokers saw profits soar during the 2008–09 recession. Singapore's scenario should be no different, given the essential liquidity services ValueMax provides to the mass market.

- **Regulatory and Competitive Landscape**

Regulatory risk in this industry is present but moderate. The government periodically reviews rules for both pawnshops and moneylenders. In 2021, Parliament passed further **Moneylenders (Amendment) regulations** to strengthen the regime, but mostly to cap excessive borrowing by individuals and improve data sharing. We do not foresee drastic changes like lower interest caps in the near term, as the current 4%/month cap was deemed appropriate by the 2015 Advisory Committee. For pawnbroking, the Registry of Pawnbrokers (under MLAW) oversees licensing; Singapore maintains a strict but fair regulatory environment that has allowed pawn interest rates to remain at up to 1.5% per month for decades. A potential regulatory headwind could be if authorities decide pawnshops should further lower interest rates or fees to alleviate costs for low-income borrowers, but there's no indication of such at present (especially since pawn rates are already far lower than moneylender rates). On competition: besides the big three listed companies, a handful of smaller chains and family-run pawnshops operate, but they lack the scale and financial heft.
Similarly, licensed moneylenders beyond the big three are mostly small outfits targeting micro-loans. The listed players have competitive advantages – greater capital to issue larger loans, more branches, a strong retail brand, and for ValueMax specifically, **one-stop services** (pawn, sell gold, take a personal loan, all under one roof). This integrated approach can capture customers who might start pawning an item, then perhaps take a top-up loan or buy a discounted jewellery piece with the proceeds.

We think **peer competition among the big three** is manageable; each has been expanding but Singapore's pawn market is not saturated (MoneyMax claims 90 outlets across SG and Malaysia, implying ~50 in SG, which alongside ValueMax's 49 and Maxi-Cash's ~46 covers many neighbourhoods but still leaves room in new estates or replacement of exiting independents). The battle is more about winning customers' trust and repeat business. In this regard, ValueMax benefits from its founder's 40+ years industry reputation and an established presence since the 1980s. The company consistently highlights customer service and a **transparent, professional image**, which likely contributes to customer loyalty. We also note that ValueMax's listing on the Mainboard (whereas MoneyMax and Maxi-Cash were listed on Catalist) may enhance its credibility among corporate clients and partners.
In conclusion, industry conditions appear favourable: regulatory frameworks are largely settled and aimed at sustainability, not disruption; economic cycles may actually favour the business in the near term; and competition is rational, with major players focusing on enlarging the market pie (through outreach and new services like online pawn valuation) rather than destructive pricing wars.

Peer Comparison and Benchmarking

To put ValueMax's performance and valuation in context, we compare it with its two listed peers: **MoneyMax Financial Services** (SGX:5WJ) and **Maxi-Cash Financial Services** (a subsidiary of Aspial, SGX:5UF). Each operates similar business lines (pawn, retail jewellery, lending), though there are differences in emphasis. **MoneyMax** has the largest store network in the region (about 50 in Singapore and also presence in Malaysia) and places a strong focus on retailing pre-owned luxury items (watches, handbags) alongside pawnbroking. **Maxi-Cash** (Aspial's unit) is also a major pawnshop chain and jewellery retailer. ValueMax, as discussed, has a balanced model with a slight tilt towards higher-value secured lending.

Below we compare key metrics:

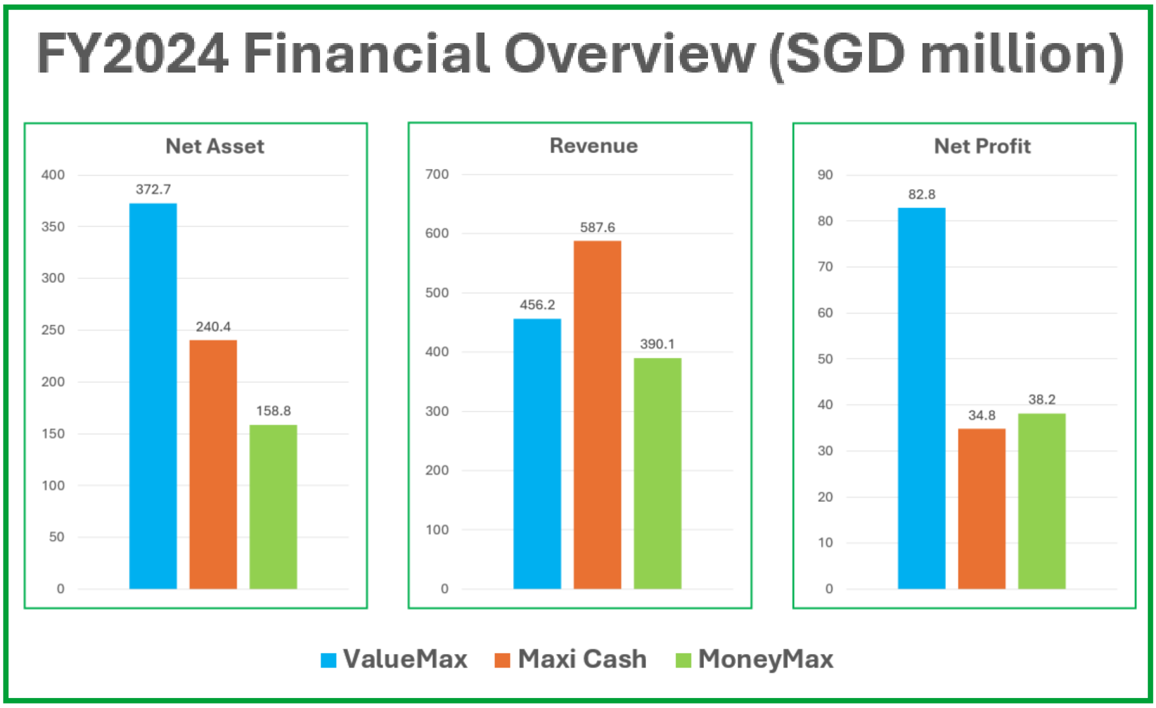

Figure 3: FY2024 Net Profit comparison – ValueMax versus peers MoneyMax and Maxi-Cash. ValueMax earned more than double the net profit of each peer in the latest year.

- **Scale & Profitability**

In FY2024, ValueMax generated **revenue of S$456.2m and net profit of S$82.8m**, substantially larger than MoneyMax (revenue S$390.1m, net income S$38.2m) and Maxi-Cash (revenue S$587.6m, net profit S$34.8m). Maxi-Cash's revenue is inflated by very high gold trading turnover (over S$500m) but it translates to lower profit, as evidenced by its thin net margin (~5.9% vs ValueMax's ~18%). ValueMax's **net profit margin (~18%)** far exceeds MoneyMax's 9.8% and Maxi-Cash's ~5–6%, indicating superior efficiency and pricing. One reason is ValueMax's higher average loan size per outlet, which suggests it captures more lucrative transactions. **ROE** for 2024 is ~19% for ValueMax (est.), versus ~23% for MoneyMax (MoneyMax's ROE spiked due to its smaller equity base of S$183.9m NAV and big profit jump) and ~17% for Maxi-Cash. Thus, all are generating healthy returns, but ValueMax is doing so at larger scale.

- **Asset Quality & Leverage**

ValueMax's **1.4× debt/equity** is actually more conservative than MoneyMax (~2.0× D/E based on MoneyMax's S$183.8m NAV vs ~$370m total liabilities) and Maxi-Cash (~2.3× D/E using S$252m equity vs S$614m debt). This means ValueMax carries comparatively lower financial risk and has capacity to leverage more if needed. In terms of loan book security, all three emphasize collateralized lending; however, ValueMax's loan portfolio is skewed to gold, jewellery and property-backed loans (95% secured), whereas peers also do some unsecured micro-loans. This arguably gives ValueMax a risk advantage (and is reflected in its low credit loss expense). **Loan book size:** By our estimates, ValueMax's total pawn + loan receivables (~S$875m current receivables at end-2023) is larger than MoneyMax's (~S$320m, given MoneyMax's total assets S$589m with inventory ~S$141m, cash ~S$25m, implying receivables around S$390m – though MoneyMax's disclosure suggests lower, possibly due to accounting differences) and Maxi-Cash's (~S$450m of receivables, as Aspial Lifestyle). Exact figures are hard to compare due to different reporting, but **Edge Malaysia reported ValueMax had the highest loan balance per store (S$8.8m) vs MoneyMax (S$4.73m) and Maxi-Cash (S$5.17m)**. This suggests ValueMax leads in lending market share on a per-outlet basis.

- **Market Cap and Valuation Multiples**

Despite ValueMax's stronger earnings, its **market capitalization (≈ S$425 million at S$0.53/share)** is only about double that of MoneyMax (~S$190m at S$0.43) and roughly twice Maxi-Cash's effective market cap (~S$168m at ~S$0.09, since Aspial Lifestyle has 1.86B shares). In terms of **P/E**, ValueMax trades ~5.1× (trailing), versus MoneyMax at ~4.7× and Maxi-Cash ~4.8× (using FY2024 earnings and current prices). All three are very low by market standards, indicating a sector discount. **P/BV:** ValueMax ~0.88× P/B, MoneyMax ~1.0× (NAV S$0.415 vs price S$0.415), Maxi-Cash ~0.7× (NAV S$0.13 vs price ~S$0.09). So ValueMax sits between the peer valuations – slightly cheaper than MoneyMax on book, slightly pricier than Maxi (justified by its higher earnings). **Dividend yield**: ValueMax's 2.2 cents FY23 dividend gives ~4.2% yield; MoneyMax paid 0.8 cent in FY23 (yield ~1.9%) and Maxi ~0.98 cent (yield ~10.8%, though that high yield is due to its low share price and parent company policy). Maxi-Cash/Aspial Lifestyle has a high payout but also higher debt load. We think ValueMax's combination of **best-in-class earnings, and a decent yield** supports a valuation premium to peers. Notably, analysts have historically viewed ValueMax as the strongest operator – back in 2013, Voyage Research preferred ValueMax for being "more operationally established" with complementary gold trading income. That thesis remains true and is now backed by years of performance.

In summary, ValueMax outshines its peers on profitability and risk metrics, yet **its valuation does not fully reflect this superiority**. The entire pawn/moneylender peer group appears undervalued, likely due to small-cap illiquidity and investor misperceptions of the industry's stability. A catalyst such as sustained earnings growth or greater investor outreach could help close this gap. We believe ValueMax, as the sector leader, stands to benefit the most from any re-rating of the industry.

Valuation

We employ four valuation methodologies to triangulate a fair value for ValueMax: **P/E multiple, P/B multiple, Discounted Cash Flow (DCF), and Peer Comparables**. All methods indicate significant upside from the current share price (S$0.525–0.53). Below we discuss each approach and derive a target price range. Importantly, our valuation incorporates the latest financials (FY2024 results) and considers a cautious outlook for 2025 (given the GDP slowdown forecast).

- **P/E Multiple Valuation**

We believe ValueMax can reasonably command a higher earnings multiple given its growth and defensive qualities. Historically, the stock has traded around 5–7× earnings (partly a function of its rapid EPS growth keeping the multiple low). Peers currently around ~5×. We set a **target P/E range of 6× to 8×** on **forward earnings**, which we base on a conservative FY2025e net profit of ~S$80m (assuming earnings moderate slightly from the FY2024 peak). A 6× multiple (low-end) on S$80m yields a market cap of S$480m (≈ S$0.60 per share). An 8× multiple (high-end) yields S$640m (≈ S$0.80/share). Our mid-point **fair P/E** of 7× produces **~S$0.70 per share**. This range is reasonable given that larger financial institutions in Singapore trade at 8–10× P/E, and even adjusting for ValueMax's smaller size and niche, a 6–8× range is not demanding. It's also supported by the **growth outlook** – even if earnings were to plateau around S$80m, an 8× multiple implies a 12.5% earnings yield, which is attractive for a stable, asset-backed business. We note that if one were to annualize the latest half-year results (2H2024 net profit was S$21.6m, it would indicate ~S$86m full year, making our S$80m forward estimate cautious. Thus, P/E methodology suggests **S$0.60 (bear case) to S$0.80 (bull case)**.

- **P/B Multiple Valuation**

Book value offers a floor, given ValueMax's earnings are largely from tangible asset-backed lending. The stock currently trades at ~0.87× trailing book. This is inexpensively priced for an ROE near 18%. Using the **Gordon Growth Model** as a guide: with an ROE of ~18%, cost of equity ~10% and long-term growth ~3%, the justified.

$$Price\ to\ Book = \frac{ROE - g}{CoE - g} \approx \frac{0.18 - 0.03}{0.10 - 0.03} = 2.14X$$

Even if we hair-cut ROE to 15% and g to 2%, justified P/B ~1.5×. We do not expect the market to immediately value it that richly, but it underscores the undervaluation. We apply a more moderate **target P/B range of 1.0× to 1.2×**. At end-FY2024, we estimate book value per share around S$0.62 (incorporating FY24 profit minus dividends). **1.0× P/B** yields **S$0.62**, essentially valuing the company at its net assets (a scenario implying no franchise value, which seems too pessimistic for a profitable firm). **1.2× P/B** yields **~S$0.74**. The mid-point ~1.1× would be **~S$0.68**. As additional data points, MoneyMax currently trades ~1.0× book and Maxi-Cash ~0.7× – our target range assumes ValueMax can trade at a premium to book value thanks to its higher ROE and market leadership. Given its consistent dividend and earnings growth, a valuation above book is justified. Thus, P/B methodology implies roughly **S$0.62–0.74** per share.

- **DCF (Discounted Cash Flow) Valuation**

We conducted a DCF analysis to capture ValueMax's long-term cash generation, especially since accounting earnings understate free cash in growth periods. We use a **two-stage FCFE (Free Cash Flow to Equity)** model. In the first stage (2025–2029), we assume net profits of S$80m growing modestly by ~5% annually (on average), but that 70% of earnings are reinvested to expand the loan book (retention ratio 70%, dividend payout 30%). This yields dividends (or FCFE) starting around S$24m and rising to ~S$29m by 2029.

In the second stage (terminal), we assume the business matures to a **steady 3% growth** and can pay out 80% of earnings (retaining 20% to grow at 3%, consistent with an assumed ROE of ~15% in terminal stage). We apply a **cost of equity of 10%** (derived from a risk-free rate ~3%, equity risk premium ~6.5% for small-cap, beta ~1.0) and terminal growth 3%. Under these assumptions, our DCF yields a **terminal value** in 2029 of ~S$822m, and a present value of **~S$720–750m for equity**. This equates to **~S$0.90 per share**. We cross-checked with a more conservative variant (assuming zero growth beyond 2029, effectively valuing it as a no-growth annuity of ~S$80m earnings with 100% payout from 2030 onward): that scenario gave a PV around S$600m (≈ S$0.75/share). On the flip side, a slightly more optimistic case (assuming 5% growth for 10 years and 3% thereafter) could exceed S$0.95/share.

Across these DCF scenarios, the **central tendency is roughly S$0.80–0.90** as fair value. However, given small-cap uncertainties and cash flow timing issues (OCF being subdued during growth phases), we temper our DCF-based target to **~S$0.80**. This still represents ~50% upside from current price. We view DCF as supportive of significant intrinsic value, though the market may not fully realize this unless ValueMax slows its reinvestment and starts throwing off higher free cash (or undertakes shareholder-friendly actions like higher dividends or buybacks).

- **Peer-Based Comparables**

As discussed in the Peer Comparison section, the entire sector trades at low multiples. A pure peer valuation would argue that ValueMax "deserves" to trade at similar multiples to MoneyMax and Maxi-Cash. Using peer average **P/E ~5×** and applying to ValueMax's FY2024 EPS (7.02 cents) would yield a price of **~S$0.35**, which is far below the current market – clearly, the market is already according ValueMax a premium for its stronger performance (since it actually trades at ~5.3× FY24, slightly higher P/E than peers). On P/B, peer average is ~0.85×, which on ValueMax's book (0.62) gives **~S$0.53**, roughly the current price. These peer-based outcomes (S$0.35–0.53) seem to suggest no upside if ValueMax were to remain valued in line with peers.

However, we assert that peers themselves are undervalued relative to fundamentals, and that ValueMax merits a premium within the group. If we assume, for instance, that the market should value these pawnshop stocks at a modest **7× earnings** (instead of 5×), then ValueMax's fair price goes to the aforementioned **~S$0.70**. We also consider regional and historical comparisons: in Hong Kong, pawnshop companies (though few are listed) or gold-loan companies often trade around 8–10× P/E. In Malaysia, public finance companies with similar secured lending models trade at 0.8–1.2× book.

These benchmarks reinforce that a re-rating is plausible. For a peer-relative valuation, one could also examine **dividend yield**: ValueMax's yield ~4.2% is higher than MoneyMax's ~1.9% and lower than Maxi-Cash's anomalous ~10%. If the market were yield-focused, at a desired yield of say 4%, ValueMax's stock would be ~S$0.55 (near current) based on current dividend. But we expect dividends to rise in tandem with profits – e.g., if ValueMax paid out 30% of FY2024 earnings, that would be ~3.1 cents, which at 4% yield implies ~S$0.78 price. This is another lens to a similar upside. In sum, pure peer comparison without adjustment doesn't fully capture ValueMax's merits; we prefer to use the peers to sanity-check our multiple choices (we assumed a slight premium to current peer multiples, which is justified).

- **Valuation Conclusion**

Taking a holistic view, we synthesize the above methods as follows. The **P/E and P/B approaches** point to a value in the mid-to-high 60s (S$0.65–0.75). The **DCF** suggests a value closer to S$0.80 or higher, albeit with assumptions. The **status-quo peer multiples** indicate the current price is roughly fair if nothing changes, but we anticipate either the sector will re-rate or ValueMax will differentiate itself. We assign a bit more weight to the earnings power (P/E) and book value methods for near-term targeting, given their simplicity and the fact that small-cap investors often focus on those metrics.

Thus, arriving at a **target price of S$0.70** (rounded to the nearest cent), which is at the upper-middle of our valuation range. This target implies **~32% upside** from the current price of ~S$0.53 and corresponds to about 7× FY2024 P/E and 1.15× current P/B – still conservative relative to intrinsic value, in our view. We would note that even at S$0.70, ValueMax would be trading at a discount to its 2013 IPO price (51 cents IPO, which was equivalent to ~S$0.525 after adjusting for subsequent rights/scrip issues, and it closed first trading day at 52.5 cents.

Given how the company's earnings and NAV have more than doubled since then, our target is reasonable and arguably leaves room for further upside if the company continues its growth trajectory. We also examine a **bear case**: if economic conditions unexpectedly deteriorate severely and FY2025 earnings fell 20%, at 5× trough earnings the stock might dip to ~S$0.45 (our downside scenario). Conversely, a **bull case**: if ValueMax sustains FY2024 earnings (~10.3 cents EPS) and gets re-rated to 8×, the stock could reach ~S$0.82. Our base target of S$0.70 sits comfortably within these bounds, leaning on the optimistic side of fundamental value without assuming perfection.

ESG Considerations

Environmental, Social, and Governance (ESG) factors are increasingly important in assessing long-term investment attractiveness. In the case of ValueMax, we find several relevant ESG themes:

- **Environmental**

ValueMax's direct environmental footprint is relatively modest, as a services company with retail outlets. However, it has embraced "green" practices in its operations – for instance, its headquarters was certified as an eco-friendly office by the Singapore Environment Council, with initiatives in place for energy conservation, recycling, and monitoring of electricity usage. More uniquely, ValueMax's core business of dealing in **pre-owned jewellery and gold inherently supports circular economy principles**.

By facilitating the resale and recycling of gold and precious metals, the company helps reduce the need for newly mined gold, thus lowering the overall environmental impact (gold mining is carbon and waste-intensive). Management highlights that **pre-owned jewellery retail is a more sustainable alternative** for consumers, as it "minimises environmental footprint… and offers a sustainable alternative" to buying new jewellery. The Group's sustainability report further commits to reducing carbon footprint and managing resource usage across its 48 outlets. While the industry is not heavily scrutinized for environmental issues, ValueMax's proactive stance (e.g. monitoring packaging usage, targeting reduction of electricity and water per outlet) shows a commitment to environmental stewardship. This can enhance its brand image, especially among younger, eco-conscious customers who appreciate the reuse of luxury items.

- **Social**

As a pawnbroking and moneylending operator, ValueMax plays a significant **social role in financial inclusion** – providing access to credit for individuals who may not qualify at traditional banks and offering quick liquidity in emergencies. This has clear social benefits, but also responsibilities. On the positive side, the pawn loan model is often seen as a safer form of borrowing for low-income customers (since no spiralling debt – the collateral is forfeited if unable to repay, rather than pursuing the borrower endlessly). ValueMax adheres to regulated interest caps and responsible lending practices, which protect borrowers from usury. The company emphasizes **responsible lending** as part of its governance, with rigorous checks to prevent customers from over-borrowing.

Additionally, ValueMax engages in various community initiatives – for example, it supports charitable causes like UOB's Heartbeat charity drive and EtonHouse Community Fund for underprivileged children and has organized donations and events (such as a durian feast for elderly folks) as part of its corporate social responsibility. These efforts demonstrate a commitment to **give back to society** and combat any negative perceptions of the industry.

Another social aspect is customer fairness and transparency. ValueMax has built trust by offering fair pawn valuations (using skilled appraisers) and transparent pricing. It's also noteworthy that during Covid, pawnshops were considered essential services to help people with cash needs. ValueMax being open and operational (with safety measures) would have been socially important. On the **employee** front, the company provides employment for ~400+ staff and invests in training (particularly in compliance, appraisal skills, and customer service). We have not seen any controversies regarding labour or customers for ValueMax – it appears to maintain a clean social record, which is crucial given the reputational sensitivities in moneylending.

- **Governance**

Governance is arguably the most critical ESG factor for a financial business dealing with cash and valuables. ValueMax scores well here. It has a majority-independent board (with an independent Chairman, while the founding Yeah family holds executive roles separately). The company has instituted strong internal controls to prevent fraud and theft at outlets (important given the gold inventory), and to comply with regulations such as **anti-money laundering (AML) and counter-terrorism financing**. In fact, ValueMax has a comprehensive **PMLTF (Prevention of Money Laundering and Terrorist Financing) Framework** in place, and all staff are trained to detect and report suspicious transactions. This is vital because pawnshops and gold traders can be targets for laundering illicit funds. The company's efforts in this area reduce regulatory and legal risks. The founding family (led by Executive Chairman Mr. Yeah Hiang Nam) retains a significant ownership, aligning their interests with shareholders – as of 2023, Mr. Yeah and family control roughly 50–60% of the shares.

While this means the company is tightly held, it also provides stability and a long-term vision (the family has run the business for decades). There is a risk of related-party transactions or nepotism, but ValueMax has a policy to seek shareholder approval for any interested party transactions, and to date there have been no governance scandals. The IPO proceeds and subsequent rights issue funds have been deployed for stated expansion purposes, indicating management's accountability. We also note that ValueMax has **improved its disclosure over the years**, now providing more segment information and a dedicated sustainability report (the FY2024 Sustainability Report titled "Compounding Value" details ESG targets). This transparency helps investors gauge its ESG progress.

One area of governance to watch is succession planning – the next generation of the Yeah family is already involved in management (son and daughter are executive directors), which suggests continuity, but ensuring a professional management structure beyond family ties will be important as the company grows. Overall, we view ValueMax's governance as **strong**, especially relative to some smaller unlisted peers in moneylending that may lack such frameworks. This strength is a competitive advantage in an industry where trust and compliance are paramount.

In summary, ValueMax exhibits a **positive ESG profile**: it contributes to sustainable consumption (through resale of goods) and financial inclusion, has programs in place for community engagement and responsible lending, and maintains high governance standards. There are no material ESG controversies associated with the company. If anything, better communication of its ESG initiatives (like highlighting the environmental benefits of jewellery reuse, and its social role) could attract ESG-minded investors. We do not see any ESG factors that would hinder its valuation; on the contrary, its ESG efforts likely help to **mitigate risks** (e.g., AML compliance reduces the risk of fines or license issues). We have incorporated a 10% cost of equity which already captures general ESG risk for a small-cap, and we believe ValueMax's governance premium could warrant a lower risk premium in the future.

Key Risks and Mitigations

While we are optimistic about ValueMax's prospects, investors should consider the following risk factors:

- **Economic Downturn / Credit Risk**

A sharper-than-expected recession or financial crisis could strain some of ValueMax's borrowers and customers. In a severe downturn, **default rates on the moneylending portfolio could rise** (especially on unsecured portions) and the value of collateral (property, vehicles, even gold) might fall, potentially leading to credit losses. Mitigation: ValueMax's high collateralization (95% secured loans) and conservative lending practices provide a cushion. Pawn loans are over-collateralized by design (low LTVs), and the short tenure allows quick recovery or auction of collateral before values fluctuate drastically.

The company also maintains relationships with auctioneers and secondary markets to liquidate forfeited assets efficiently. In the 2009 and 2020 recessions, pawnshops saw limited bad debts since collateral (gold) held value. We also note that **gold prices often rise in crisis**, offsetting some economic risk. Nonetheless, a scenario like a global deflation hurting gold and property prices simultaneously would be challenging – in such case, ValueMax's earnings could temporarily drop. However, even in stress, the **hard-asset backing** means eventual recovery of principal is likely, and the business model's counter-cyclicality (higher demand) somewhat balances the risk. We consider this risk moderate.

- **Gold Price Volatility**

ValueMax is indirectly exposed to **commodity price risk** through gold. A steep decline in gold prices (for instance, if global inflation fears subside and real interest rates rise significantly) could reduce the value of pawned gold jewellery. This might lead to situations where the pawn principal exceeds collateral value, causing losses on sale. It would also dampen retail gold trading revenue. Conversely, extreme spikes in gold can reduce consumer demand to buy gold jewellery (though it increases pawn borrowing).

Mitigation: The company manages gold price risk by adjusting its pawn lending LTV ratios in line with market trends (lending less when gold is at peak high, to maintain buffer). It also utilizes **gold loans and derivative hedges** at times – e.g., the "loans from unrelated parties" in gold allow it to effectively hedge inventory by borrowing gold to deliver into sales, then repurchasing later. This reduces exposure to holding a long gold inventory. ValueMax's inventory turnover for gold is relatively quick (they scrap or sell unredeemed gold regularly).

Additionally, the diversified product mix (diamonds, luxury watches) means not all collateral is gold. A scenario of gold price collapse would likely coincide with economic boom (less pawn demand but more retail jewellery demand due lower prices, which could offset). Thus, while gold volatility can impact margins quarter-to-quarter, the risk of a catastrophic loss is mitigated by prudent underwriting and hedging.

- **Regulatory/Policy Risk**

Regulatory changes could affect profitability. **For pawnbroking**, the government could lower the interest rate cap or mandate lower charges, which would squeeze interest income. **For moneylending**, further tightening of interest caps (currently 4%/month) or additional restrictions on fees/loan quantum could limit growth or increase compliance costs. There's also regulatory risk around anti-money-laundering – any lapses could result in penalties or licensing actions.

Mitigation: Singapore's regulatory framework has been relatively stable after the 2015 reforms. The current interest caps were deemed balanced to allow the industry to function; a drastic cut (e.g., to 2%/month for moneylenders) seems unlikely absent evidence of consumer harm. ValueMax is fully compliant and works closely with regulators (the presence of a robust AML framework is evidence of proactive compliance). It also contributes to industry associations, likely giving it a voice in policy discussions.

Still, this is a low-probability but high-impact risk – if rules changed adversely, some profit streams could be hit. We take comfort that ValueMax's **diversification** (both pawn and moneylending) means it's not solely reliant on one regulatory regime – pawnshops fall under a different act than moneylenders, reducing single-point exposure.

- **Competition and Margin Pressure**

Heightened competition, whether from peers or new entrants (e.g., fintech lenders, foreign players), could pressure ValueMax's loan yields and profit margins. If MoneyMax or Maxi-Cash decided to aggressively gain market share by offering lower pawn interest or higher valuation for gold (thus higher LTV to customers), it could erode the industry's attractive economics. Additionally, if banks or fintechs start targeting micro-loans or collateral loans via digital platforms, pawnshops might lose some younger clientele.

Mitigation: The pawn industry in Singapore has historically been rational – interest rates are typically at the maximum allowed (1.5%/month) uniformly, so price competition is limited. Competing on service, location, and trust has been more important. ValueMax has an entrenched brand and convenient outlets which build customer loyalty; many pawn customers return to the same shop for convenience and trust reasons, even if a competitor might offer slightly more loan for their item.

As for moneylending, ValueMax focuses on secured loans to niche segments (e.g., SMEs needing short-term capital) where competition is less crowded. Digital lenders often do unsecured small loans (and many such loans would fall under the interest rate cap which levels the playing field). Moreover, ValueMax itself could leverage technology – e.g., it already offers online pawn valuation and is likely exploring fintech partnerships for its loan products.

Overall, while competition exists, the market is big enough and segmented enough that the major players have coexisted and grown without destructive pricing. We foresee margins remaining healthy, though we monitor any signs like unusually slow loan growth (which could mean share loss) or required increase in marketing spend.

- **Operational Risks**

Running a chain of pawnshops and moneylending offices involves **operational risks** such as theft, fraud, or human error in appraisals. There's also reputational risk if any misconduct occurs at the branch level (for example, an employee misbehaviour or a high-profile customer dispute).

Mitigation: ValueMax invests in staff training (its appraisers and managers are experienced, often poached from competitors or trained internally) and implements surveillance and security at outlets. Insurance is carried for theft or loss of valuables. The company's long track record suggests these risks have been well-managed (no known major incidents). It also has an IT system connecting outlets to track transactions and inventory, reducing error and fraud. Still, as the network grows, maintaining consistency in service and control is a continuous task. Reputationally, any negative press around debt collection practices or customer service could impact the brand. However, pawnshops in SG generally enjoy a neutral-to-positive image now, and ValueMax has not been implicated in any scandals. We consider operational/reputation risk as low, but non-zero.

- **Large Shareholder Control / Liquidity Risk**

The founding Yeah family holds a controlling stake (estimated ~60% post-rights). While this aligns interests, it also means **minority shareholders have limited influence**, and there is a theoretical risk of related-party dealings or decisions that favour the majority (e.g., setting dividend policy to suit family's tax planning, etc.). So far, there is no evidence of any governance mishaps – the board has independent directors and transactions are transparent. Liquidity-wise, the stock's free float is limited (maybe ~30–35% of shares are publicly float after excluding family and friendly stakes), which can result in low trading liquidity and volatility. Investors may demand a liquidity discount.

Mitigation: The presence of institutional investors or research coverage can help liquidity. Phillip Securities and others have covered the stock in the past, and it tends to trade several hundred thousand shares on average per day, which is modest but sufficient for most retail investors (though institutions might find it harder to accumulate without moving the price). This risk is more about patience – investors need to be aware that exiting a large position could take time. The upside of family control is stability in strategy and a clear long-term focus on value creation (the family has an incentive to see the share price rise, as evidenced by dividends and willingness to raise capital for growth). We also note that at the last AGM, all resolutions (including renewals of interested-party transaction mandates) passed with strong support, indicating minority shareholders are generally in agreement with management.

Considering all the above, we judge that none of these risks, individually or in combination, undermine the fundamental attractiveness of ValueMax as an investment. The company has navigated past recessions, regulatory changes, and competitive cycles adeptly. We have factored some of these risks into our valuation by using conservative estimates (e.g., not assuming further margin expansion, and choosing a relatively high cost of equity at 10%). We will remain vigilant especially on macro developments (gold price, economic growth) and any regulatory consultations that could signal change.

Recommendation

In light of our analysis, we **recommend a BUY on ValueMax Group Limited** for investors seeking exposure to a resilient financial services business with defensive qualities and growth potential. Our 12-month target price is **S$0.70**, representing ~30% upside from current levels, plus a ~4% dividend yield, for a total potential return exceeding 34%. This target is derived from a blend of valuation metrics as discussed, and we see it as achievable as the market gains appreciation of ValueMax's record earnings and improved scale.

- **The investment thesis rests on three pillars:**

(1) Robust Earnings Growth – ValueMax has delivered consistent profit growth and FY2024's results confirmed the earnings power of its model. Even under conservative forecasts, earnings are set to remain elevated, supporting a higher share price.

(2) Undervalued Assets and Franchise – The stock trades below book value and at a mid-single-digit P/E, which is unwarranted given the high asset quality, strong brand, and steady demand for its services. We expect a re-rating as the company continues to post solid results (e.g., upcoming FY2025 interim results could be a catalyst if growth continues).

(3) Defensive, Counter-Cyclical Nature – In an uncertain economic climate (with Singapore 2025 growth projected at 0–2%, ValueMax offers a defensive earnings profile that can outperform in a downturn, providing a hedge within an equity portfolio. This aspect could attract investors rotating into more recession-proof stocks.

- **Catalysts for share price appreciation in the next year include:**

(1) Continued strong financial performance (watch for 1H2025 results; if ValueMax sustains YoY growth, it will underscore that FY2024 was not a one-off).

(2) Potential **increase in dividends** – with such robust earnings, the company may decide to raise the dividend payout above the historical ~25% ratio, which would draw income-focused investors and signal confidence.

(3) Greater investor awareness – possibly via analyst coverage or inclusion in small-cap indices. As normalcy returns post-pandemic, investors may rediscover pawn/finance stocks as beneficiaries of the high-interest rate environment.

(4) The exercising of warrants (expiry 2026 at $0.36) could bring in fresh equity and remove an overhang (warrant conversion would slightly dilute EPS but also bring cash that could be used to reduce debt or expand faster, a net positive in our view, especially since they are well in the money).

(5) Any industry development such as consolidation or M&A could also boost valuations – for instance, if one player were taken private or a foreign investor showed interest in the sector. While we haven't explicitly valued takeover potential, the low valuations could attract strategic buyers.

We do not see many downsides at the current price, but investors should be aware of the **key risks** outlined (economic swings, regulation, etc.). In a worst-case severe recession scenario, the stock might languish or fall due to sentiment, but we would view that as an opportunity to accumulate given the intrinsic asset protection. Over a medium-term horizon, we are confident ValueMax will continue to **create shareholder value**, as implied by the title of its sustainability report "Compounding Value".

Conclusion

ValueMax presents a compelling case as a **deep value and dividend play** in the Singapore small-cap space, with the bonus of secular growth from its expanding loan portfolio. It combines the characteristics of a financial institution (steady interest income, high ROE) with those of a retailer (cash sales of merchandise), giving it diversified revenue streams. Management has shown astuteness in strategy (timely capital raises, careful expansion, risk control), which gives us confidence in execution. At current valuations, much of the risk is already priced in, while the company's **resilience and growth are under-appreciated**.

We initiate coverage with a **BUY rating and a target price of S$0.70**, and we would revisit our valuation if either macro conditions drastically changed (necessitating earnings forecast changes) or if the stock reaches our target sooner (to reassess upside beyond). Barring unforeseen shocks, we expect ValueMax's valuation multiple to gradually expand as it delivers another year of healthy earnings, closing the gap towards our target range. Investors looking for a **defensive growth stock with strong fundamentals and attractive returns** should find ValueMax a worthy addition to their portfolio.

Sources: Financial data and growth figures are from company annual reports and SGX filings, and FY2024 performance is as reported in The Straits Times/Yahoo Finance (ValueMax reports earnings of $82.8 mil for FY2024, up 56.7% y-o-y). Industry insights are drawn from regulatory reports and news (MinLaw, MTI, The Edge Singapore/Malaysia) (Singapore downgrades 2025 GDP forecast to 0%-2% as US-China tariff war weighs on global growth | British Chamber Of Commerce Singapore) (Pawnbrokers: Battle to win over customers heats up). All information is as of May 2025. Investors should refer to upcoming official results for the most current data.

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