Well Chip Group Berhad

Below Expectations as Margins Ease Amid Outlet Expansion

Summary

- **Below expectations as margins narrow.** WCGB's 3QFY26 core PATMI of RM19.4m fell 18.0% YoY and 18.8% QoQ, taking 9MFY26 core PATMI to RM71.3m (+15.1% YoY). The nine-month result accounted for only 71.8% of our FY26f forecast of RM99.2m and 70.9% of consensus net income of RM100.4m. The key deviations were (i) higher-than-expected tax and operating costs; and (ii) slower-than-expected revenue delivery across both segments. 3Q gross margin narrowed to 51.9% on weaker jewellery and gold trading spreads and higher pawnbroking funding costs.

- **YoY.** Revenue rose 7.9% to RM76.0m, led by a 9.8% increase in pawnbroking revenue to RM41.2m on higher pawn lending. Jewellery and gold revenue grew 5.7% to RM34.8m, supported by firmer scrap-gold prices, but its GP fell 26.8% to RM5.6m as higher gold purchase costs compressed margins. Pawnbroking GP rose 3.1% to RM33.9m. Group GP declined 2.5% to RM39.5m, with GP margin narrowing 5.5ppt to 51.9%. Administrative expenses increased 51.9% to RM12.8m, contributing to a 16.9% fall in PBT to RM26.9m.

- **QoQ.** Revenue grew 6.2%, driven by jewellery and gold sales rising from about RM29.7m to RM34.8m, while pawnbroking revenue eased from about RM41.9m to RM41.2m. Higher gold purchase costs and a greater share of lower-margin jewellery and gold sales reduced group GP by 9.3%. Administrative expenses rose 21.9%, further weighing on PBT, which fell 19.0%. PBT margin narrowed 11.0ppt to 35.4%, while PAT margin declined 7.9ppt to 25.6%. Management cited higher gold purchase costs and operating expenses associated with new outlets.

- **YTD.** 9MFY26 revenue grew 13.9% to RM223.7m. Pawnbroking revenue rose 33.6% to RM125.5m, more than offsetting a 4.1% decline in jewellery and gold revenue to RM98.1m. Pawnbroking GP increased 28.2% to RM105.7m, while jewellery and gold GP slipped 2.0% to RM27.2m. Group GP grew 20.6% to RM132.9m and PBT rose 15.8% to RM98.7m. GP margin widened 3.3ppt to 59.4%, and PBT margin improved 0.7ppt to 44.1%.

- **Outlook.** WCGB operates 30 pawnshops and 5 retail outlets. 3 of its 16 conditionally approved new pawnshops have opened. 3 are in fit-out or awaiting approvals, and 10 remain in planning. New outlets will take time to build loan books, while start-up costs may weigh on near-term earnings. The RM120.0m rights issue allocates RM30.0m to expansion, RM88.8m to pawn-lending capital and RM1.2m to expenses. As the funds are deployed, loan growth should support revenue and reduce reliance on new borrowings. Global spot gold was around US$3,610/oz on 23 November, down about 22% from late August. Lower gold prices could reduce scrap-gold sales values and new pawn-loan ticket sizes. Margins will depend on how quickly purchase costs adjust.

Results Note – 3QFY26

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BUY

Share price	**RM0.935**
Target price	RM2.02
Previous TP	RM2.07
Capital upside	116.0%
Dividend return	5.0%
Total return	121.0%

Company profile

The Group is principally involved in pawnbroking activities.

Stock information

Bursa Code	5325
Bloomberg ticker	WELLCHIP MK
Listing market	MAIN
Share issued (m)	720.0
Market Cap (m)	673.2
Shariah compliant	No

Major shareholders	%
VYN Holdings Sdn Bhd	51.10
VMM Holdings Sdn Bhd	14.93
Kenanga Investors Bhd	1.73

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-13.4	-14.4	-37.9
Relative	-9.8	-3.5	-33.6

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PAT (m)	86.1	91.9	96.8
EPS (sen)	12.8	12.8	13.4
P/E (x)	8.9	7.3	7.0

Relative performance chart



Quarterly performance 3Q26

Quarterly performance								
FYE Dec (RM m)	3Q25	2Q26	3Q26	QoQ (%)	YoY (%)	9MFY25	9MFY26	YoY (%)
Revenue	70.5	71.6	76.0	*6.2*	*7.9*	196.3	223.7	*13.9*
GP	40.5	43.5	39.5	*(9.3)*	*(2.5)*	110.2	132.9	*20.6*
PBT	32.4	33.3	26.9	*(19.0)*	*(16.9)*	85.3	98.7	*15.8*
Core PAT	23.7	23.9	19.4	*(18.8)*	*(18.0)*	61.9	71.3	*15.1*
Reported PAT	23.7	23.9	19.4	*(18.8)*	*(18.0)*	61.9	71.3	*15.1*
Core EPS (sen)	4.0	4.0	3.2	*(18.8)*	*(18.0)*	10.3	11.9	*15.1*
GP margin (%)	57.5	60.7	51.9	*(8.8)*	*(5.5)*	56.1	59.4	3.3
PBT margin (%)	46.0	46.4	35.4	*(11.0)*	*(10.6)*	43.4	44.1	0.7
Core PATMI margin (%)	33.6	33.4	25.6	(7.9)	*(8.1)*	31.5	31.9	0.3

Source: WCGB, M+ Research

Valuation & Recommendation

- **Forecast.** With 9MFY26 earnings came in below our expectations, we lower FY26f–FY28f core PAT forecasts by 7.3%, 14.0% and 11.2% to RM91.9m, RM96.8m and RM110.0m, respectively. The revisions reflect softer margins, higher operating costs and tax, and a more gradual earnings contribution from new pawnshops.

- **Maintain BUY with a lower TP of RM2.02, from RM2.07.** We retain our 2.0x FY27f P/B valuation, applied to revised FY27f BVPS of RM1.01 on the enlarged 720m share base. The investment case is supported by (i) FY27f ROE of 13.9%; (ii) sustained pawn-loan demand; (iii) rights-funded outlet expansion; and (iv) WCGB's scarcity value as a listed pawnbroking proxy. The recent decline in gold prices remains a near-term risk to jewellery and gold sales values and the value of pledged collateral.

- **Downside risks** include weaker gold prices or pledge redemptions, slower-than-expected outlet approvals and openings, higher gearing, asset-quality deterioration in pledged receivables, increased competition, and regulatory or compliance risks.

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Cash	69.8	15.9	118.8	40.0	25.0
Receivables	526.1	831.1	1,019.4	1,198.7	1,375.0
Inventories	27.3	28.6	61.9	64.9	68.2
PPE	6.8	8.5	16.2	21.4	25.1
Others	55.5	76.7	69.7	71.9	72.8
Assets	**685.5**	**960.8**	**1,286.0**	**1,397.0**	**1,566.1**
Debts	182.0	395.9	536.3	578.7	669.4
Payables	56.7	54.4	58.9	60.5	61.8
Others	25.7	27.3	27.4	29.8	30.8
Liabilities	**264.4**	**477.5**	**622.6**	**668.9**	**761.9**
Shareholder's equity	421.1	483.3	663.4	728.1	804.2
Minority interest	-	-	-	-	-
Equity	**421.1**	**483.3**	**663.4**	**728.1**	**804.2**

Cash Flow Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	71.1	120.3	127.5	134.5	152.8
Depreciation & amortis	4.4	4.7	4.9	5.6	6.4
Changes in working cap	(128.9)	(308.6)	(219.4)	(180.8)	(178.3)
Share of JV profits	-	-	-	-	-
Taxation	(21.1)	(34.1)	(36.0)	(37.6)	(42.8)
Others	27.1	52.6	1.3	0.4	0.5
Operating cash flow	**(47.4)**	**(165.1)**	**(121.7)**	**(77.9)**	**(61.4)**
Net capex	(1.3)	(3.9)	(10.0)	(8.0)	(7.0)
Others	(11.8)	(52.0)	-	-	-
Investing cash flow	**(13.1)**	**(55.9)**	**(10.0)**	**(8.0)**	**(7.0)**
Changes in borrowings	(10.5)	213.9	169.9	42.4	90.7
Issuance of shares	311.7	-	119.6	-	-
Dividends paid	(24.0)	(30.6)	(30.6)	(32.2)	(33.9)
Others	(129.9)	(29.2)	(2.1)	(3.0)	(3.5)
Financing cash flow	**147.4**	**154.1**	**256.8**	**7.1**	**53.4**
Net cash flow	**86.9**	**(66.9)**	**125.1**	**(78.8)**	**(15.0)**
Forex	0.3	0.3	-	-	-
Others	(29.9)	-	-	-	-
Beginning cash	12.5	69.8	10.5	135.6	56.8
Ending cash	69.8	15.9	135.6	56.8	41.8

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**222.1**	**270.2**	**301.7**	**330.3**	**368.5**
EBITDA	74.6	125.2	132.8	140.5	159.6
EBIT	70.2	120.4	127.9	134.9	153.2
Net finance income/ (co	0.9	(0.2)	(0.4)	(0.4)	(0.4)
Associates & JV	-	-	-	-	-
Profit before tax	**71.1**	**120.3**	**127.5**	**134.5**	**152.8**
Tax	(21.1)	(34.1)	(35.5)	(37.6)	(42.8)
Net profit	**50.0**	**86.1**	**91.9**	**96.8**	**110.0**
Minority interest	-	-	-	-	-
Core earnings	**50.0**	**86.1**	**91.9**	**96.8**	**110.0**
Exceptional items	-	-	-	-	-
Reported earnings	50.0	86.1	91.9	96.8	110.0

Valuation & Ratios

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	6.94	11.96	12.77	13.45	15.28
P/E (x)	13.47	7.81	7.32	6.95	6.12
EV/EBITDA (x)	14.98	8.93	8.42	7.96	7.01
DPS (sen)	3.33	4.25	4.47	4.71	5.35
Dividend yield	3.6%	4.5%	4.8%	5.0%	5.7%
BVPS (RM)	0.70	0.81	0.92	1.01	1.12
P/B (x)	1.3	1.2	1.0	0.9	0.8
EBITDA margin	33.6%	46.3%	44.0%	42.5%	43.3%
EBIT margin	31.6%	44.6%	42.4%	40.8%	41.6%
PBT margin	32.0%	44.5%	42.2%	40.7%	41.5%
Net margin	22.5%	31.9%	30.5%	29.3%	29.9%
ROE	16.0%	19.0%	16.0%	13.9%	14.4%
ROA	8.5%	10.5%	8.2%	7.2%	7.4%
Net gearing	26.6%	78.6%	67.1%	77.8%	83.6%

Source: M+Global Research

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Stock recommendation guide

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