

MoneyMax Financial Services Ltd

Ushering in a New Age for Pawnbrokers

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MMFS SP | MFSL.SI | MMF.SG
Industry: Pawnbroking

Phillip Securities Research Pte Ltd

28 October 2013

Report type: Initiation

Company Overview

MoneyMax is one of Singapore's largest pawnbroking chains with 29 outlets located island-wide, operating under the brands of "MoneyMax" and "Cash Online". MoneyMax also provides retail and trading business of pre-owned gold, jewellery and watches.

Two sources of revenue

- Earns from interest income from providing short-term collateralized loans to customers.
- Profit from sales of pre-owned gold, jewellery and/or watches.

Investment Merits

- Expect increasing demand for pawnshops:
 - Higher cash needs from tighter loan regulations
 - Reducing social stigma on stronger branding and better quality of service
 - Cheaper and quicker source of borrowing
 - Wide reach with convenient stops in the heartlands
 - Rising costs likely to boost business
- Low-risk business model
- Stronger holding, of interest in jewellery & watches
- Experienced management team

Peer Comparison – Maxi-Cash and ValueMax

- All three pawnshop chains are expected to experience increase in their pawnbroking profits
- MoneyMax may have a higher growth potential from existing outlets as compared to ValueMax.
- MoneyMax's current P/E valuations lower, more attractive than Maxi-cash
- MoneyMax does not currently give dividends
- All three pawnshop chains may continue to grow partly through the acquisition of older pawnshops

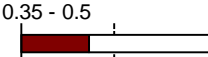
Key Risks

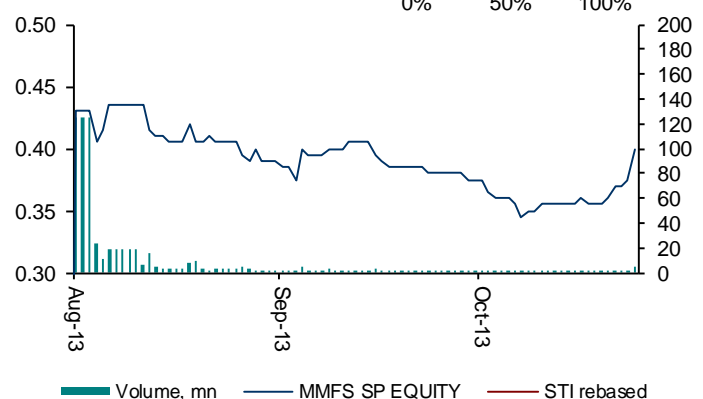
- Current gold price volatility increases the risk and impacts profit margin
- Increase in interest rates lowers profitability of pawnbroking business
- Licences may fail to be renewed or obtained
- Regulatory risks

Investment Actions

Based on our DCF valuations, assuming WACC of 8.0%, and terminal growth of 1.0%, we derive a target price of S\$0.48. This gives an implied FY13E P/E multiple of 21.8X, and P/B multiple of 2.7X. While both multiples are high, we note the growth potential for MoneyMax and the pawnbroking industry. Based on the investment merits highlighted above, and current share price, we initiate coverage of MoneyMax with a BUY recommendation.

MoneyMax Financial Service Limited

Rating	1	Buy
- Previous Rating	0	Not Rated
Target Price (SGD)	0.480	
- Previous Target Price (SGD)	NA	
Closing Price (SGD)	0.400	
Expected Capital Gains (%)	20.0%	
Expected Dividend Yield (%)	0.0%	
Expected Total Return (%)	20.0%	
Raw Beta (Past 2yrs weekly data)	NA	
Market Cap. (USD mn / SGD mn)	114 / 142	
Enterprise Value (USD mn / SGD mn)	180 / 222	
3M Average Daily T/O (mn)	NA	
52 week range (SGD)	0.35 - 0.5	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Money Farm Pte Ltd	60.2
2. Lim Yong Guan	12.5
3. Lim Yong Sheng	10.8

Key Financial Summary

FYE	03/12	03/13	03/14F	03/15F
Revenue (SGD mn)	76	70	77	85
Net Profit, adj. (SGD mn)	6	7	9	11
EPS, adj. (SGD cents)	2.07	2.21	2.48	3.06
P/E (X),adj.	19.3	18.1	16.2	13.1
BVPS (SGD)	11.19	13.13	17.63	20.11
P/B (X)	3.6	3.0	2.3	2.0
DPS (SGD)	0.00	0.00	0.00	0.00
Div. Yield (%)	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

DCF (WACC: 8.0%; terminal g: 1.0%)

Analyst

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Brief Company Background

- Listed on SGX Catalist board on 2 Aug 2013, with IPO offer price of \$0.30.
- Incorporated in 2008. Provides Pawnbroking services (27 outlets) and Retail & trading (All outlets) of pre-owned gold, jewellery and watches.
- 29 outlets in Singapore as at Oct 2013, with 2 new outlets opened in Aug 2013. Operating under the brands of "MoneyMax" (27 outlets) and "Cash Online" (2 outlets)
- First pawnbroking chain to be awarded ISO 9001 (ISO9001:2008) and CaseTrust Accreditations.

Two Revenue Sources

Revenue comes from two main business segments:

1) Pawnbroking, and 2) Retail and trading of pre-owned gold, jewellery and watches.

1. Pawnbroking

- Earns interest income from providing short-term collateralized loans to customers.** The pawnbroking provides a fast and easy solution without the need for paper works, credit checks, and approval waiting time. MoneyMax sees itself as a Modern and Friendly pawnshop, stressing on customer service as compared to being a lending of last resort.
- Interest chargeable is regulated by the Pawnbrokers Act, capped at 1.5% per month. The typical current promotional rate is set at 1.0% for 1st month, and 1.5% thereafter for a maximum total tenure of 6 months. **This leads to a compounded 6-month interest rate of 8.8%.** Loans may be redeemed/ renewed by the customers within 6 months. Refer to "Business Model" below for more details.
- Pawnbroking revenue accounted for approximately S\$6.4 million (15.5%), S\$11.0 million (17.6%) and S\$17.5 million (23.2%) of total revenue in FY10, FY11 and FY12 respectively.
- Per prospectus, PBT margins are 5.4%, 22.4% and 32.4% for FY10, FY11 and FY12 respectively.
- Management guide for revenue from pawnbroking to continue increasing.** We note that the pawnbroking outlets have been expanding aggressively from 7 outlets in CY2009 to 27 outlets as at Oct 2013.

2. Retail and Trading of Pre-Owned Jewellery & Watches

- Profit from sales of pre-owned gold, jewellery and/or watches.** Buyers/Sellers include walk-in retail customers (higher margins, PSR est 10%-15% gross profit margins) and dealers (Low margins, PSR est 1-2%)
- Revenue from the retail and trading segment accounted for S\$35.2 million (84.5%), S\$51.9 million (82.4%) and S\$58.1 million (76.8%) of total revenue in FY10, FY11 and FY12 respectively.
- PBT margins are about 3.0%, 3.3% and 2.3% for FY10, FY11 and FY12 respectively.
- Moving forward, **management guide for more emphasis on walk-in customers**, both on sales and purchase of pre-owned gold, jewellery and watches, and lower trading revenue with Dealers.

Fig 1: MoneyMax Revenue (S\$'000) breakdown

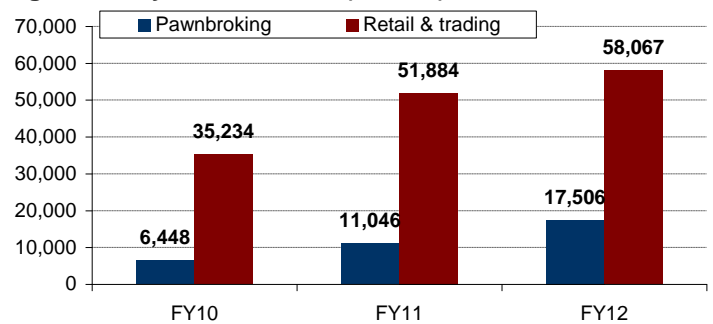
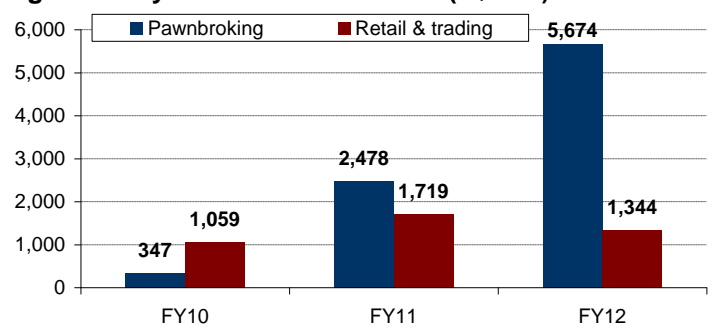


Fig 2: MoneyMax Profit Before Tax (S\$'000) breakdown



Source: Company IPO prospectus, PSR

Investment Merits

We highlight the following investment merits of MoneyMax's key business segments.

- Expect increasing demand for pawnshops
- Low-risk business model
- Strong holding of, interest in gold, jewellery & watches
- Experienced management team

Fig 3: Pawnshop pledges received on the rise

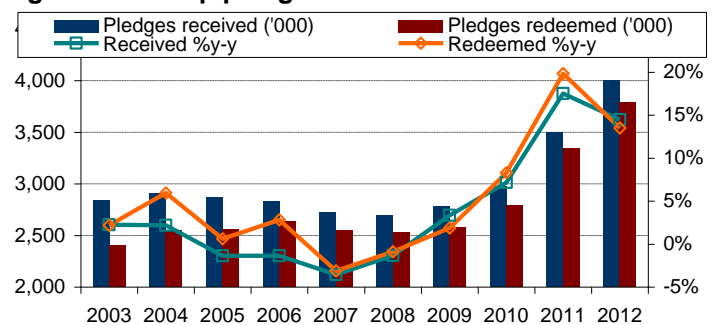
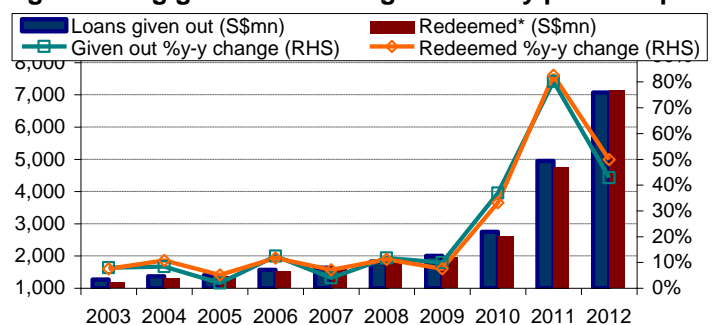


Fig 4: Strong growth in loans given out by pawnshops



Source: Yearbook of Statistics Singapore, Registry of Pawnbrokers, PSR
* include interests redeemed

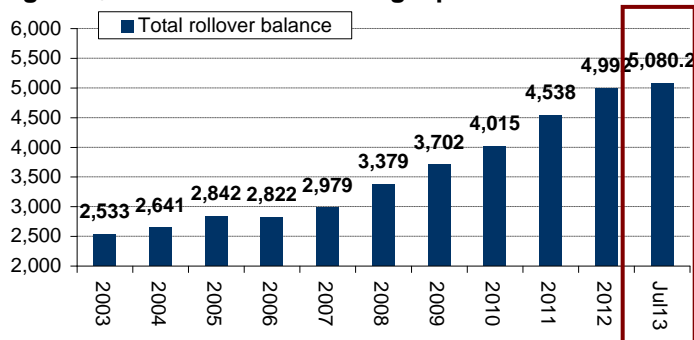
1. Expect Increasing Demand for Pawnshops

Singapore pawnshops have seen an increase in the number of pledges received from 2.8 million in 2009 to 4.0 million in 2012, at a CAGR of 13.0% (See Fig 3). The amount of loans given out by pawnshops in value has more than doubled since 2009 with a 3-year CAGR of 52.2%, from S\$2.0 billion to S\$7.1 billion by CY2012 (See Fig 4). We note that **Loans given out by Pawnbrokers have grown at a CAGR of 19.7% in the last ten years.** Despite the recent spike in loans, **we forecast high single-digit y-y growth in the pawnshop industry, especially for newer pawnshops with a larger network of stores, such as MoneyMax.** This is due to the following key reasons:

#1: Higher cash needs from tighter loan regulations

We think the pawnbroking business would **benefit from the continued loan tightening measures and curbs on unsecured lending.** Borrowers facing difficulty in making debt payments may likely turn to pawnshops to meet their short term cash flow problems. Furthermore, **Credit cards lending is an S\$5 billion industry, and provides a potential market for Pawnshops due factors including lower interest rates, and tightening measures.**

Fig 5: S\$5b Credit cards lending a potential market



Source: MAS, PSR

Credit cards and unsecured loans – S\$5 billion industry, a potential market – In Sep 2013, MAS had announced a progressive tightening of rules on credit cards and unsecured loans, with effect from 1 Dec 2013 over the next 2 years. These rules would subject borrowers to stricter credit assessment and limit them in getting additional financing from unsecured credits. Borrowers with gold, jewellery or watches may instead turn to pawnbrokers, especially since interest charged by pawnbrokers are lower.

Property & Motor Vehicle tightening measures – The Singapore government has introduced several rounds of property cooling measures and tightening on loans regulations from 2009. With lower loan-to-value (LTV) limits, shorter loan tenures and capping of debt servicing ratio, more upfront cash payments need to be paid on the loans. We continue to expect further tightening on loans regulations as Monetary of Singapore (MAS) sought to contain rising household debt level.

Fig 6: Recent loan tightening measures in 2013

Effective date	Measures
Residential Properties	
12-Jan-13	- Increased ABSD rate: between 5%-7% across the board - Tighter Lower LTV limit: a) For 2nd loan: 50% or 30% (if tenure>30y or beyond age 65) b) 3rd loan onwards: 40% or 20% (if tenure>30y or beyond age 65) c) For non-individuals: 40% -> 20%
	- Increased min. cash outlay: 10% -> 25% for 2nd/subsequent loan - Mortgage servicing ratio (MSR): capped at 35% for HDB loans. (30% for bank loans to buy HDB housing)
28-Jun-13	- Intro of Total Debt Servicing Ratio (TDSR) limit: 60%
27-Aug-13	- Lower loan tenure: from 30y -> 25y on HDB loans - Lower MSR: from 35% -> 30% for HDB loans
Motor Vehicles	
26-Feb-13	- for vehicle loan: LTV capped at 60% (if OMV <= S\$20K); 50% (if OMV > S\$20K) - vehicle loan tenure capped at 5y

Source: MAS, HDB, PSR

#2: Reducing social stigma on stronger branding and better quality of customer service

The old pawnshop design – high counters and sturdy metal grilles, which exude an impersonal and distrusting feel. The new pawnshop/ MoneyMax design – akin to jewellery shops, with glass counter windows and uniformed staff. Customer service is of paramount importance, as **MoneyMax aims to be one who shares your burden**, as compared to being the “Lender of last resort”. With increased advertising activities, including through the use of celebrities, and increase marketing such as through television commercials, better branding has also been established. **These will likely lead to more customers being attracted to MoneyMax.**

Furthermore, management guide for a majority of customers to be sticky, partly due to the high quality of customer service.

Fig 7: Modern and Friendly image – MoneyMax Outlet



Source: Company

#3: Cheaper and quicker source of borrowing

Pawnshops offer cheaper rates capped at 1.5% per month on their loans, compared to credit cards that charges 2% per month on late payments. Furthermore, pawnshops do not have any minimum income requirements and typically require less paperwork as compared to banks, hence less hassles involved. With heightened awareness of pawnshops as a cheaper and quicker source, **customers wanting to reduce hassle for a small loan may increasingly prefer to borrow from pawnshops.**

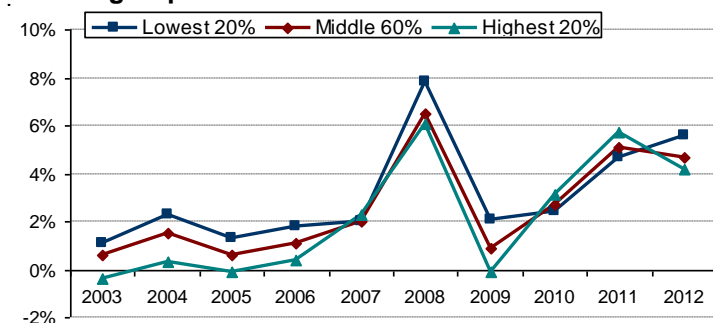
#4: Wide reach with convenient stops in the heartlands,

MoneyMax provides **convenience for customers** with a large network of 27 pawnbroking shops. Many outlets are also located within close proximity to MRT stations. This convenience, coupled with the better branding, quality of services, and advertising per mentioned above gives them an edge over the traditional smaller pawnshops. Thus pawnshops like MoneyMax are likely to see **increased business from both new and recurring customers.**

#5: Rising costs likely to boost business

We noted the **upward trend in inflation since 2010.** Should high inflation persist, more people are likely to face increasing difficulty in coping with living expenses and existing debt obligations. **Singapore also ranks as one of the most expensive cities to live in,** based on numerous surveys such as Economist Intelligence Unit (6th in the world). **Car buyers are also incurring higher loans on their cars due to rising COE prices.** Coupled with tightening on loans regulations, we expect increasing individuals with short term cash-strapped problems. Increasingly, individuals affected are likely to turn to pawnshops for loans to tide over their urgent needs for cash.

Fig 8: CPI %y-y changes for households in different income groups



Source: Yearbook of Statistics Singapore, PSR

2. Low-Risk Business Model

Pawnshop loans offered will be based on a percentage of the value of the pledged item (loan amount may range up to about 92% of value). **Loan amount would be fully insured against loss if the pledge is found to be stolen goods after accepting as collateral in good faith.** When the pledge is not redeemed after 6 months, it would be auctioned off for sale in public auction at the reserve price (aggregate amount of the loan and interests due). Unredeemed pledges not sold off would return back to the

pawnshops and typically would be sold off through its retail and trading business of pre-owned jewellery and watches. **This business model results in no bad debts despite the attractive interest rate of 8.8% per 6-month tenure.** An unredeemed item can likely be sold to recover the loan amount. Since the value of the item is identified by the pawnbroker, the ability to sell the item would likely have been taken into consideration. Pawnbrokers are however exposed to gold price volatility per discussed below. Refer to "Key Upside/Downside Risks" for more information too.

3. Strong holding of, interest in jewellery & watches

In Singapore, retail sales for jewellery and watches have been trending higher since 2009. This implies larger holdings of items among the population that can be pawned. Furthermore, the continued interest in these items, as seen in Fig 9, bode well for the retail business.

Fig 9: Retail Sales Index (2010=100) for Jewellery and Watches in Singapore



Source: CEIC, PSR

On the gold prices, our analysts remain bearish, while high price volatility may continue. If prices remain low, consumers are less likely to part with their old gold. However, this could mean they may more likely pawn their gold rather than selling them if in need of cash. **This benefit the pawnbroking business due to the higher pawnbroking margins** compared to the relatively lower retail margins.

4. Experienced Management Team

MoneyMax's CEO, Mr Peter Lim, was involved in running Soo Kee Jewellery business since 1991. We note that he is assisted by other members of his family in the management, all of whom had **20 over years of experience in the jewellery business.** Refer to the appendix for details of the management reporting structure.

Peer Comparison – Maxi-Cash and ValueMax

We identify Maxi-Cash and ValueMax as the main competitors of MoneyMax. Similar to MoneyMax (29 outlets), Maxi-Cash (30 outlets) and ValueMax (17 outlets) have numerous pawnbroking outlets across Singapore. All three are also involved in the retail and trading business. Maxi-Cash is also listed on SGX, while ValueMax has recently launched its IPO on SGX.

Fig 10: Increase in pawnbroker outlet mostly from MoneyMax and its two peers during boom years (based on higher y-y% in loans given out) in FY10 – FY12.

	FY10	FY11	FY12
Total number of pawnbrokers	163	175	191
Total number owned by 3 chains	43	53	68
% shops owned by 3 chains	26%	30%	36%
Increase in 3 chains' outlets	25	12	16
Increase in non-chain outlets	7	2	1
MoneyMax increase	8	3	6
ValueMax increase	4	2	2
Maxi-cash increase	6	5	7
Y-Y% increase in Loans given by pawnbrokers	37%	80%	43%

Source: Companies, PSR

1. All three pawnshop chains are expected to experience increase in their pawnbroking profits

Relative to the traditional pawnshops, MoneyMax and its two peers have engaged in improving the social sigma on stronger branding and better quality of customer service as discussed above. These chains also benefit from savings through centralising some of the job functions. The larger scale of the business may also enjoy lower bank borrowing cost relative to smaller pawnshops due to the more diversified risk from the larger customer base.

2. ValueMax has the highest estimated Average Loan balance per store, based on Pawnbroking Revenue

A higher loan balance may be due to numerous reasons, including better location of outlets, better customer service, and opening a certain outlet for a longer period of time, as customers become sticky. We however observe a lower growth of new outlets for ValueMax, and lower Y-Y% growth of average loan balance per store. Per store location map of the three chains in Appendix Fig 2, we do not see any dominance of a certain area by ValueMax. This may imply a higher maturity of ValueMax's pawnbroking outlets. Similarly, based on the much lower average loan balance, MoneyMax may also have a higher growth potential from existing outlets as compared to ValueMax.

Company	Rating	FYE	Price	TP	Upside (%)	Equity Multiple (X)						Dividend Yield (%)				
						Net Income			Book Value			0.0%	0.0%	0.0%		
						FY12	FY13E	FY14E	FY12	FY13E	FY14E	FY12	FY13E	FY14E		
Market price as of: 25-Oct-13																
MoneyMax	BUY	Dec	0.400	0.48	20.0%	22.8	20.0	16.2	3.0	2.3	2.0	0.0%	0.0%	0.0%		
Maxi-Cash *	N.R.	Dec	0.425	N.A.	N.A.	43.6	44.8	N.A.	2.8	2.9	N.A.	N.A.	2.8%	N.A.		
ValueMax *	N.R.	Dec	0.510	N.A.	N.A.	19.0	21.7	N.A.	2.8	1.9	N.A.	N.A.	N.A.	N.A.		

Source: Bloomberg, PSR est.

*ValueMax: Price per IPO offer. FY13E EPS per TTM. FY13E NAV per FY12 plus IPO offering. No. of Shares per post IPO offering.

*Maxi-cash: FY13E EPS per TTM, FY13E NAV per Jun 2013. Dividend not adjusted for bonus share issue. No. of Shares per post IPO offering.

Fig 11: MoneyMax – Loans growth from newer stores

	FY10	FY11	FY12
Est. Simple Average Loan balance per store			
MoneyMax	3,328	3,801	4,733
ValueMax	8,668	8,324	8,810
Maxi-Cash	2,958	4,377	5,173
Est. Y-Y% growth of Simple Average Loan balance per store			
MoneyMax	N.A.	14%	25%
ValueMax	N.A.	-4%	6%
Maxi-Cash	N.A.	48%	18%
Est. Simple Average no. of Pawnbroking stores			
MoneyMax	11	17	21
ValueMax	10	13	15
Maxi-Cash	13	19	25

Source: Companies, PSR

* Annual interest estimated at 17.6% (8.8% 6-mth tenure times two)

3. MoneyMax's current P/E valuations lower, more attractive than Maxi-Cash

We forecast MoneyMax's Price to Earnings (P/E) multiple of **20.0X** for FY13E. This is much lower compared to Maxi-Cash's estimated FY13E P/E of **44.8X**. We calculate Maxi-Cash's P/E based on TTM earnings of S\$4.0 million, and ending number of outstanding shares of 426.2 million, based on its 6M13 earnings announcement.

4. MoneyMax does not currently give dividends

While Maxi-Cash and ValueMax have a dividend policy, MoneyMax has indicated that **dividends will only be distributed when the business is more developed**. Shareholders of MoneyMax will therefore currently only be able to benefit from capital gains. Comparatively, Maxi-Cash distributed dividends of at least 60.0% of the net profits attributable to Shareholders for FY2012. ValueMax intend to distribute 50.0% of NPAT attributable to Shareholders for FY2013 – FY2015. MoneyMax also has **lower revenue than its peers**, due to lower trading of pre-owned valuables. This may however benefit MoneyMax due to lower risk from price volatility of these valuables, while margins are low.

5. All three pawnshop chains may continue to grow partly through the acquisition of older pawnshops

Management describe a potentially changing business environment, as many of the pawnbrokers are owned by the older generation with no concrete succession plans. While management guide that it is not aggressively looking to acquire any pawnbrokers, we note this as a potential channel for MoneyMax and its peers to grow their business. Furthermore, they can enjoy better economies of scale, leading to improved profit margins for these acquired stores.

Key Upside/Downside Risks

1. Current gold price volatility increases the risk and impacts profit margin

As pawnshop loans are based on a certain LTV ratio and are secured by collateral that can be gold jewellery or gold watches, a **decline in gold prices may lead to lower collateral values, hence less interest income can be earned**. Retail and trading of pre-owned jewellery business may also be negatively impacted as existing inventory may be impaired on sudden and sustained decline in gold prices. While management guides that no hedge on gold prices is done, the **impact is only for a maximum period of 6 months**, as the LTV of the item is revised every 6 months. Management also actively seeks market's forecast of gold prices to better anticipate movements in the gold prices.

2. Increase in interest rates lowers profitability of pawnbroking business

Borrowing cost for MoneyMax is expected to rise, potentially in FY2015, when Fed rates increase. MoneyMax relies significantly on bank borrowings and bank overdrafts to finance its pawnbroking business. As the interest rate chargeable on its loans to customers is capped at 1.5% per month, its profit margin would be negatively impacted from the increase in interest rates. **Currently, the business thrives from a favourable low interest rate environment in Singapore**. Furthermore, we note that the interests charged to their customers are likely to remain substantially higher than the expected increase in bank interest rates.

3. Licences may fail to be renewed or obtained

Each pawnshop outlet requires a licence to operate and the licence is subjected to annual renewal. Licences are issued by the Registry of Pawnbrokers. Any failure to renew or obtain licences for new outlets would adversely affect its operations. However, **management cited no previous instances of failure to renew or obtain the licences**.

4. Regulatory risks

Pawnbrokers and licensed moneylenders are under the purview of the Ministry of Law (MinLaw). The pawnbroking business may **face risks from tighter regulations on pawnbrokers**. On the other hand, the company may also benefit from possible tighter regulations imposed on other money lenders by MinLaw or MAS. Its businesses are regulated under the Pawnbrokers Act and the Secondhand Goods Dealers Act.

MoneyMax is also impacted by **increase in foreign worker levies**, and the **lowering of foreign worker quotas**. Management has guided that a number of their workers are foreigners, and therefore further lowering of quotas in particular may pose some hiring problems for the company. However, MoneyMax has a slight advantage as it **may potentially tap on employees from the main shareholder's other jewellery businesses**. This is especially so for the older workers who are more suitable to work in a pawnshop, as they are better able to understand the customers of the pawnbrokers and empathise with them.

Business Model

Pawnbroking operations

Main operational stages of pawnbroking services:

- Request by customer
- Assessment and valuation
- Granting of loan and issuance of pawn ticket
- Redemption/Renewal

See Appendix Fig 5 for more details.

a) Request by customer

Potential walk-in customers may request for loans and present valuable for pawning as collateral. Valuables that are **typically accepted include gold bars and coins, jewellery and branded watches** as market value and authenticity can be ascertained by their valuers.

b) Assessment and valuation

Experienced valuers will carry out the assessment and valuation of items to be pawned by customers, taking into consideration market demand and prices. Valuables found to be stolen would not be accepted.

c) Granting of loan and issuance of pawn ticket

Loans are generally redeemable within 6 months (the redemption period) from the date of pawning. Customer would be issued a pawn ticket, which is required to redeem the pawned valuable, after accepting the loan offer. Valuables are stored and cannot be sold by the pawnshops.

d) Redemption/Renewal

Customers may 1) renew, 2) partially or 3) fully redeem the loan prior to expiry of the redemption period. Unredeemed item pawned for more than S\$50 would be auctioned off. Reserve prices would be set at the aggregate amount of the loan and interests due. Any surplus above the reserve price has to be returned to the pawners. If item is not sold, it would be returned to the pawnshop and would typically be sold off through its retail and trading business.

Unredeemed items pawned for S\$50 or less need not be auctioned off and would become the pawnshop's property.

Retail and trading operations

Pre-owned jewellery and watches are sold through its retail outlets or to independent traders and/or dealers for profits. MoneyMax may purchase pre-owned jewellery and watches from walk-in customers, dealers or traders. They may also purchase other pawnshops' unredeemed pledges at auctions. See Appendix Fig 5 for more details.

Valuations

Based on our DCF valuations, assuming WACC of 8.0%, and terminal growth of 1.0%, we derive a target price of S\$0.48. This gives an implied FY13E P/E multiple of 21.8X, and P/B multiple of 2.7X. While both multiples are high, we note the growth potential for MoneyMax and the pawnbroking industry. Based on the investment merits highlighted above, and current share price, we initiate coverage of MoneyMax with a BUY recommendation.

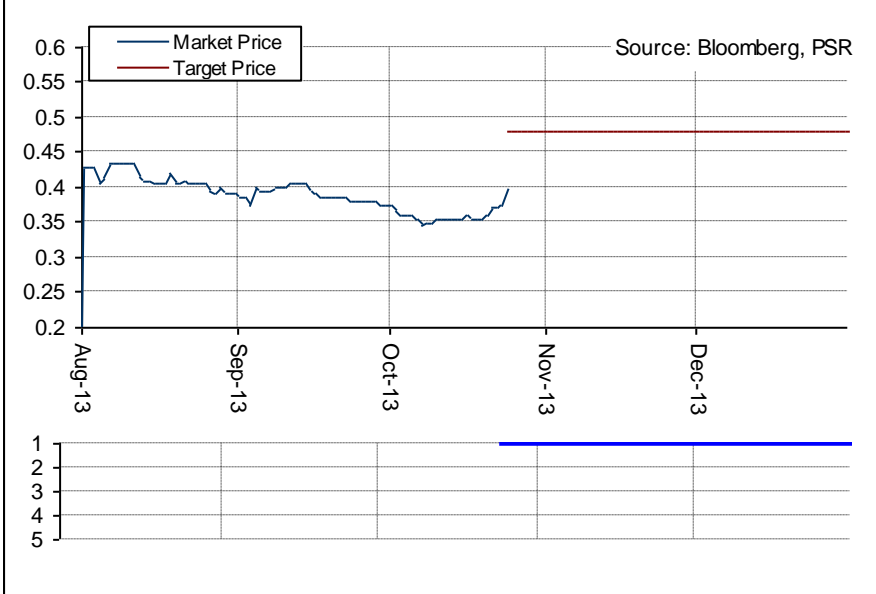
FYE Dec	FY11	FY12	FY13F	FY14F	FY15F
Valuation Ratios					
P/E (X), adj.	34.3	19.3	18.1	16.2	13.1
P/B (X)	6.3	3.6	3.0	2.3	2.0
EV/EBITDA (X), adj.	30.8	20.3	18.5	14.0	11.6
Dividend Yield (%)	-	-	-	-	-
Per share data based on IPO shares (SGD)					
EPS, reported (cents)	1.17	1.94	1.95	2.48	3.06
EPS, adj. (cents)	1.17	2.07	2.21	2.48	3.06
DPS (cents)	-	-	-	-	-
BVPS, adj (cents)	6.35	11.19	13.13	17.63	20.11
Growth & Margins (%)					
Growth					
Revenue	51.0%	20.1%	-7.3%	10.6%	9.3%
EBITDA	109.1%	51.9%	9.6%	32.1%	20.4%
EBIT	145.9%	58.6%	13.6%	36.0%	23.4%
Net Income, adj.	202.2%	77.2%	13.8%	24.1%	23.4%
Margins					
EBITDA margin	11.5%	14.5%	17.1%	20.4%	22.5%
EBIT margin	9.7%	12.8%	15.7%	19.2%	21.7%
Net Profit Margin	5.6%	7.7%	8.9%	11.3%	12.8%
Key Ratios					
ROE (%)	13%	16%	12%	13%	14%
ROA (%)	4%	5%	4%	4%	4%
Net Debt/(Cash)	54	80	94	120	133
Net Gearing (X)	162.2%	204.1%	151.2%	168.8%	161.7%
Income Statement (SGD mn)					
Revenue	62.9	75.6	70.0	77.5	84.7
EBITDA	7.2	10.9	12.0	15.8	19.1
Depreciation & Amortisation	(1.1)	(1.3)	(1.0)	(0.9)	(0.7)
EBIT	6.1	9.7	11.0	14.9	18.4
Net Finance (Expense)/Income	(1.9)	(2.6)	(3.4)	(4.4)	(5.4)
Profit Before Tax	4.2	7.0	7.5	10.6	13.0
Taxation	(0.7)	(1.2)	(1.3)	(1.8)	(2.2)
Profit After Tax	3.5	5.8	6.3	8.8	10.8
Non-controlling Interest	0.0	0.0	0.0	0.0	0.0
Net Income, reported	3.5	5.8	6.3	8.8	10.8
Net Income, adj.	3.5	6.2	7.1	8.8	10.8

Source: PSR

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Balance Sheet (SGD mn)					
PPE	2.0	1.8	1.6	1.2	1.0
Intangibles	0.4	0.2	0.1	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Total non-current assets	2.4	2.0	1.7	1.3	1.0
Inventories	5.1	6.5	11.3	11.3	11.3
Trade and other receivables	90.1	125.3	153.0	188.0	211.5
Cash	10.5	8.8	12.7	21.9	33.0
Others	1.8	1.9	2.2	2.2	2.2
Total current assets	107.5	142.5	179.2	223.4	258.0
Total Assets	109.9	144.5	180.9	224.7	259.0
Short term loans	65.0	89.3	107.0	142.0	165.5
Accounts Payables	10.7	14.5	10.2	10.2	10.2
Others	0.7	1.3	1.3	1.3	1.3
Total current liabilities	76.3	105.0	118.5	153.5	177.0
Long term loans	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Total non-current liabilities	0.0	0.0	0.0	0.0	0.0
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Shareholder Equity	33.6	39.4	62.4	71.2	82.0
Cashflow Statements (SGD mn)					
CFO					
PBT	4.2	7.0	7.5	10.6	13.0
Adjustments	3.0	3.9	4.5	5.3	6.0
Cash from ops before WC changes	7.2	10.9	12.0	15.8	19.1
WC changes	(40.4)	(32.9)	(37.2)	(35.0)	(23.5)
Cash generated from ops	(33.2)	(21.9)	(25.2)	(19.1)	(4.5)
Taxes paid, net	(0.2)	(0.6)	(1.3)	(1.8)	(2.2)
Cashflow from ops	(33.4)	(22.5)	(26.4)	(20.9)	(6.7)
CFI					
CAPEX, net	(0.9)	(0.7)	(0.7)	(0.5)	(0.4)
Others	(0.4)	0.0	(1.8)	0.0	0.0
Cashflow from investments	(1.3)	(0.7)	(2.5)	(0.5)	(0.4)
CFF					
Share issuance	11.0	0.0	18.5	0.0	0.0
Loans, net of repayments	27.7	30.7	17.7	35.0	23.5
Dividends and Distributions	0.0	0.0	0.0	0.0	0.0
Others	(2.6)	(3.0)	(3.5)	(4.4)	(5.4)
Cashflow from financing	36.1	27.7	32.8	30.6	18.1
Net change in cash	1.4	4.5	3.9	9.2	11.1
CCE, end	(2.7)	1.8	5.6	14.8	25.9

Source: PSR

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

Appendix

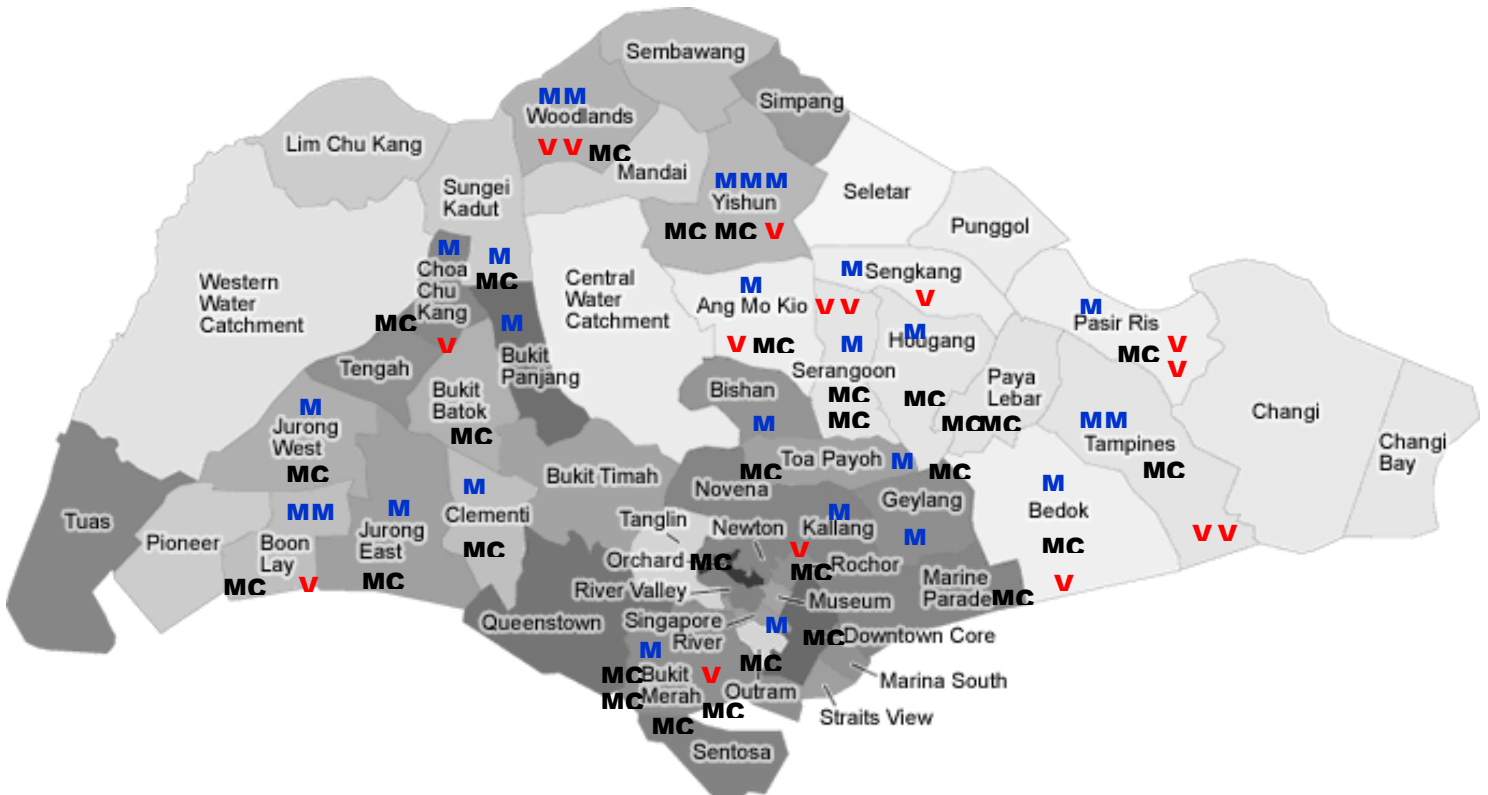
Fig 1: Views of MoneyMax outlet



Source: Company

Fig 2: Approximate locations of the 3 Pawnshop chain outlets in Singapore

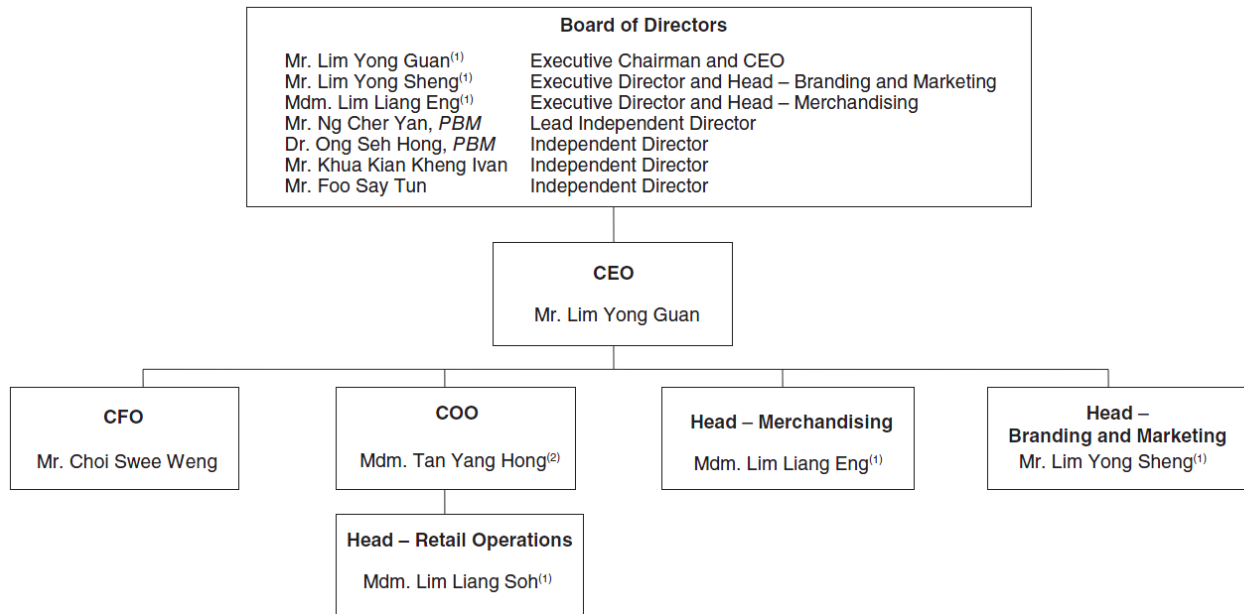
Legend: "MC" – Maxi-Cash; "M" – MoneyMax; "V" – ValueMax



Source: StreetDirectory, Companies, PSR

**Figure above is not according to scale and do not reflect accurate location of outlets.

Fig 3: Management Reporting Structure



Notes:

(1) Mr. Lim Yong Guan, Mr. Lim Yong Sheng, Mdm. Lim Liang Eng, and Mdm. Lim Liang Soh are siblings.

(2) Mdm. Tan Yang Hong is the spouse of Mr. Lim Yong Guan.

Source: Company IPO Prospectus, PSR

Fig 4: Summary of loan tightening measures in Singapore since 2009

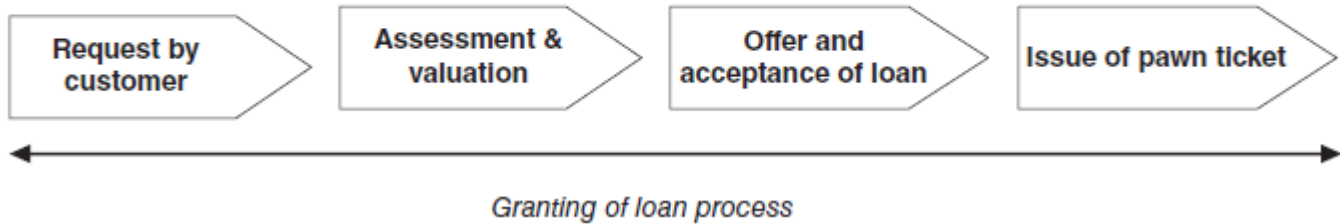
Effective	Measures
	Residential Properties
14-Sep-09	- Removal of Interest Absorption Scheme (IAS) - Removal of Interest-Only Housing Loans (IOL)
20-Feb-10	- Intro of Seller Stamp Duty (SSD) on properties sold within 1 year - Lower LTV limit: from 90% -> 80% on housing loans
30-Aug-10	- Increased SSD holding period: from 1y -> 3y - Increased min. cash outlay: from 5% -> 10% on housing loan - Lower LTV limit: from 80% -> 70%
14-Jan-11	- Increased SSD holding period: from 3y -> 4y - Raised SSD rates (16%,12%,8%,4%) on residential properties - Lower LTV limit: from 70% -> 60% (50% for non-individuals)
8-Dec-11	- Intro of Additional Buyers' Stamp Duty (ABSD) for property purchases
6-Oct-12	- Loan tenure capped at 35y for residential loans - Lower LTV limit for loans > 30y tenure or period beyond age 65: 40% (1 or more outstanding loans) or 60% (if no outstanding)
12-Jan-13	- Increased ABSD rate: between 5%-7% across the board - Tighter Lower LTV limit: a) For 2nd loan: 50% or 30% (if tenure>30y or beyond age 65) b) 3rd loan onwards: 40% or 20% (if tenure>30y or beyond age 65) c) For non-individuals: 40% -> 20% - Increased min. cash outlay: 10% -> 25% for 2nd/subsequent loan - Mortgage servicing ratio (MSR): capped at 35% for HDB loans. (30% for bank loans to buy HDB housing)
28-Jun-13	- Intro of Total Debt Servicing Ratio (TDSR) limit: 60%
27-Aug-13	- Lower loan tenure: from 30y -> 25y on HDB loans - Lower MSR: from 35% -> 30% for HDB loans
	Motor Vehicles
26-Feb-13	- for vehicle loan: LTV capped at 60% (if OMV <= S\$20K); 50% (if OMV > S\$20K) - vehicle loan tenure capped at 5y
	Credit Cards & Unsecured credits
1-Jun-15	-No further borrowing to individuals when: a) payments over due for >60 days on any unsecured credit b) total outstanding unsecured debt exceeds 12mths income for > 90 days

Source: MAS, HDB, PSR

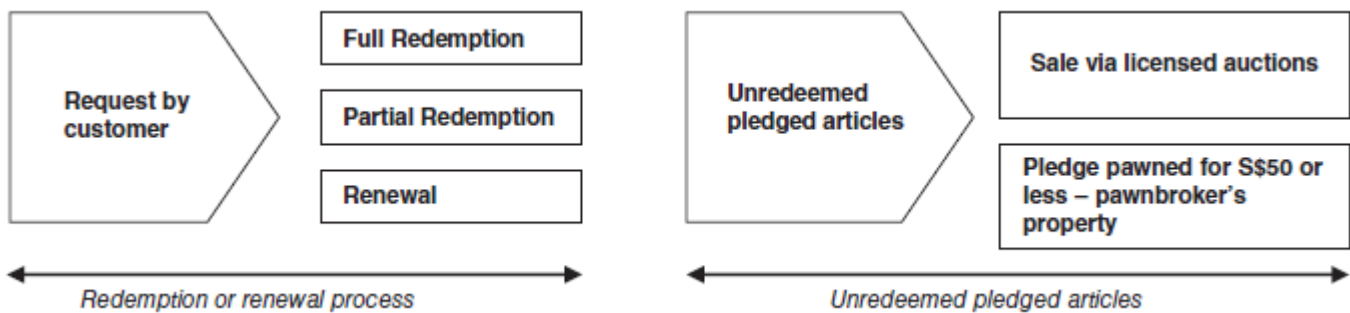
Fig 5: Business Model – Illustrations

Pawnbroking process

The main operational stages of our pawnbroking services are illustrated as follows:



Redemption process



Retail and trading of pre-owned jewellery and watches process

The main operational stages of our retail and trading of pre-owned jewellery and watches business are illustrated as follows:



Source: Company prospectus, PSR

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