

Aspial Lifestyle Limited

23rd May 2023

Non-rated

BBG	ASPL SP						
Market cap	S\$200m						
Price (23 May 2022)	S\$0.15						
52-week range	S\$0.14-0.17						
Target Price	Non-rated						
Shares Outstanding	1,379m						
Free Float	18%						
Major Shareholder	<table> <tr> <td>Aspial Corporation</td><td>70.7%</td></tr> <tr> <td>Koh Wee Seng</td><td>7.8%</td></tr> <tr> <td>Koh Lee Hwee</td><td>2.1%</td></tr> </table>	Aspial Corporation	70.7%	Koh Wee Seng	7.8%	Koh Lee Hwee	2.1%
Aspial Corporation	70.7%						
Koh Wee Seng	7.8%						
Koh Lee Hwee	2.1%						
P/BV (05/23)	1.3x						
Net Debt to EBITDA (05/23)	11.5x						

Source: Company data, Bloomberg, SAC Capital

Expanding to Malaysia

Growth. In December 2022, Aspial Lifestyle together set up a JV with Ion World Group via Maxis Holdings, with Aspial Lifestyle acquired 65% of the vehicle for RM30.7m (S\$9.5m). This deal remains subject to certain conditions, includes a put option for Aspial to acquire the rest of Maxis where Aspial may exercise this option between Jan 1, 2027 and Dec 31, 2032. This is with the condition that Aspial will not be required to buy more than 10% of Maxis in a year

Maxion currently holds 3 pawnshops in Johor Bahru in Malaysia. The management guided that they are exploring to expand their presence in the Malaysia market via new stores opening or M&A as there are potential single mom and pop stores for sale. We believe that this will drive the next phase of growth for Aspial Lifestyle pawnbroking business whilst injecting 5 stores into Maxis— rebranding all to Dr. Pajak

Public Education on Pawn Shop in Malaysia. During the visit, the management explains that moving forward, they are looking to create awareness that pawnshops are not only for short-term microfinancing but also as an alternative safe deposit locker.

From channel checks, the conventional way of people storing luxury goods is in safe deposits via banks or other services. However, it is not easy and a long process to secure a slot and the customer needs to purchase insurance for the list of goods inside. Thus, moving forward, should there be clients who would want to store their luxury goods in a safe and secure manner, pawn shop could be the place.

Compared to the safe deposit, be it at home or in an FI, the vault in the pawnshop is well-designed and each item stored is well-recorded. With this, Dr. Pajak's model doesn't only caters to the B40 segment in the market but also those who not need the short-term credit financing.

First "Drive-Thru" Pawnshop in Malaysia. We visited the 3 outlets in Johor Bahru recently and witnessed the whole seamless experience of customers driving thru the outlets. As for security reasons, this drive-thru model has gained confidence and Dr. Pajak offers various loyalty programs which creates the stickiness amongst its clients.

Aspial Lifestyle is currently trading at 10.4x P/E and dividend yield of 6.8%

Analyst(s)

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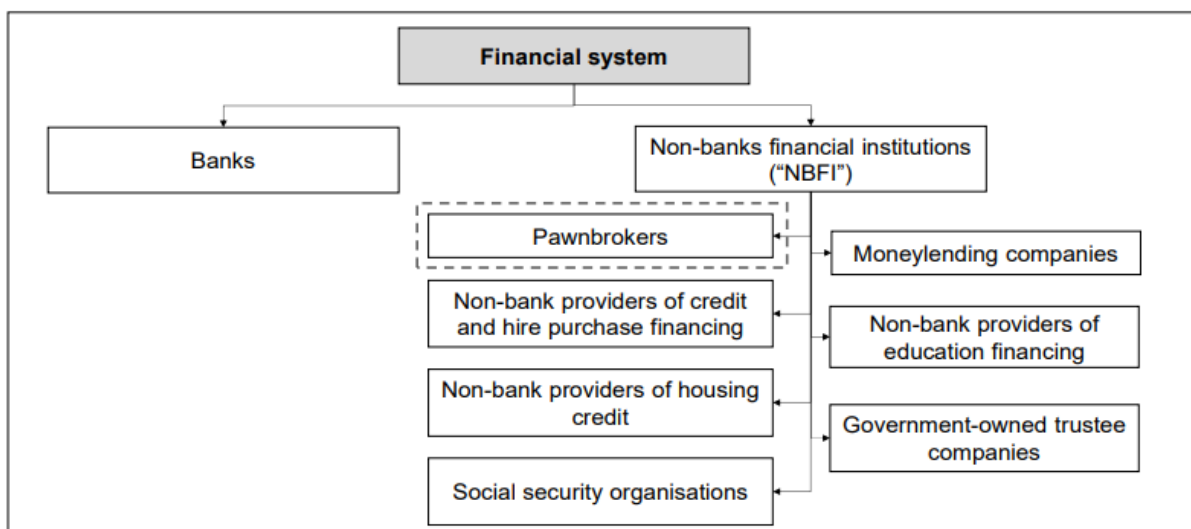
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FYE Dec (S\$m)	FY21A	FY22A
Revenue	226	319
EBITDA	36	49
Net profit (loss)	14	16
EPS (S cents)	1.39	1.39
DPS (S cents)	1.25	1.05
Valuation		
EBITDA margin (%)	16.1%	15.3%
ROE (%)	9.6%	10.4%
EV/EBITDA (x)	16.0x	15.9x
P/E (x)	12.4x	11.2x
Dividend yield (%)	7.3%	6.8%

Source: Company data, Bloomberg, SAC Capital

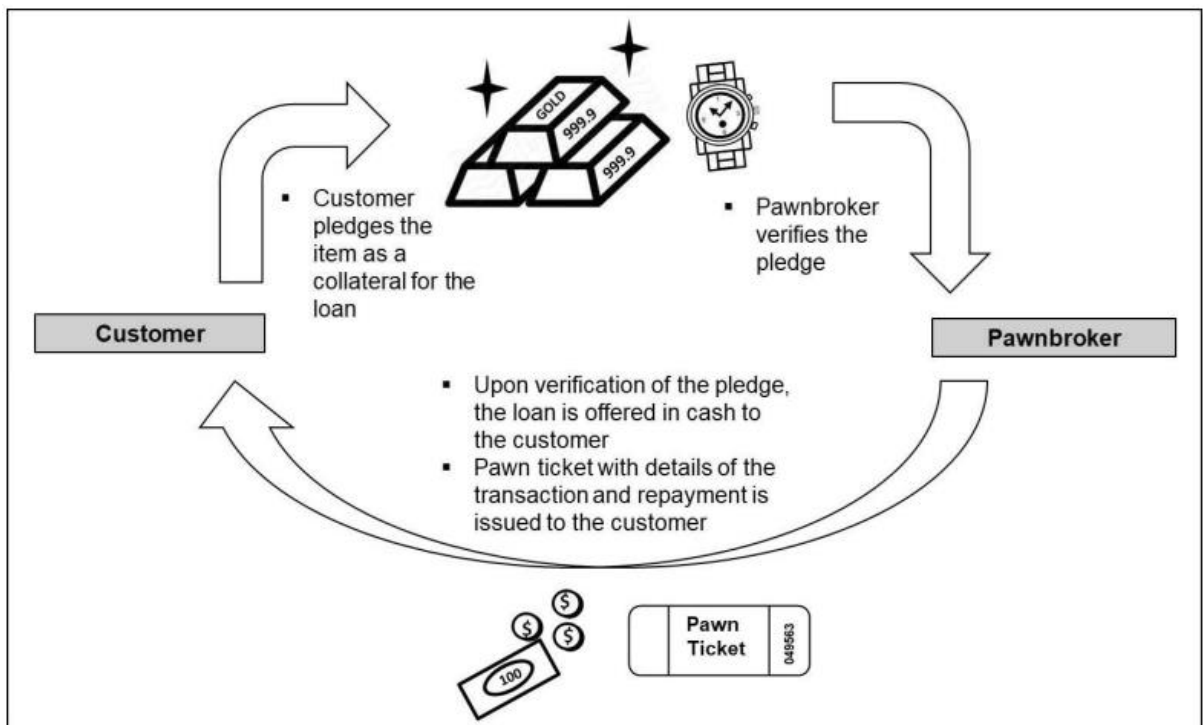
Background of Malaysia Pawnbroking Business

Based on the independent market research report by Smith Zander, the financial system is served by 2 main groups which are mainly the Banks and the Non-banks Financial Institutions (NBFIs). The Banks are governed and regulated by the central bank – Bank Negara Malaysia whereas NBFIs are generally regulated by other authorities such as Ministry of Finance, Ministry of Housing and Local Government (also known as “KPKT” which is the abbreviation for Kementerian Perumahan dan Kerajaan Tempatan) and Malaysia Co-operative Societies Commission. The chart below sums up the Financial System providers.



(Source: Smith Zander)

Diving into pawnbroking, a typical pawnbroker provides services offering pledged-backed short-term financing or pawn loan with a short repayment period for pawners (i.e., clients with pledges for pawn to pawnbrokers). The pawn loan is usually a micro-loan and usually pledged against high value personal items mostly gold, jewelry and luxury watches. Thus, the credit offered will be based on the prevailing market value of the pledge which can be obtained from various third-party platforms. As the pledges hold an intrinsic value which allows pawnbrokers to recover the full loan amount disbursed by selling the pledges for cash, to secure and protect the pawnbrokers against potential losses from loan defaults.



(Source: Smith Zander)

In Malaysia, the pawnbroking business is governed by KPKT under the Pawnbrokers Act 1972. Each pawnbroking outlet must obtain license by KPKT where the company must be incorporated and licensed to operate each individual outlet. Following the Pawnbrokers Act 1972, every single pawn loan provided is capped at RM10,000 and can comprise one or more pledged items. If the pledged items value exceeds RM10,000, then multiple pawn tickets will be issued to the value of the pledged items. On the rates, pawnbrokers charge a maximum interest rate of 2% monthly on the pawn amount and imposing a small one-off administrative fee of RM0.50 for the issuance of the tickets.

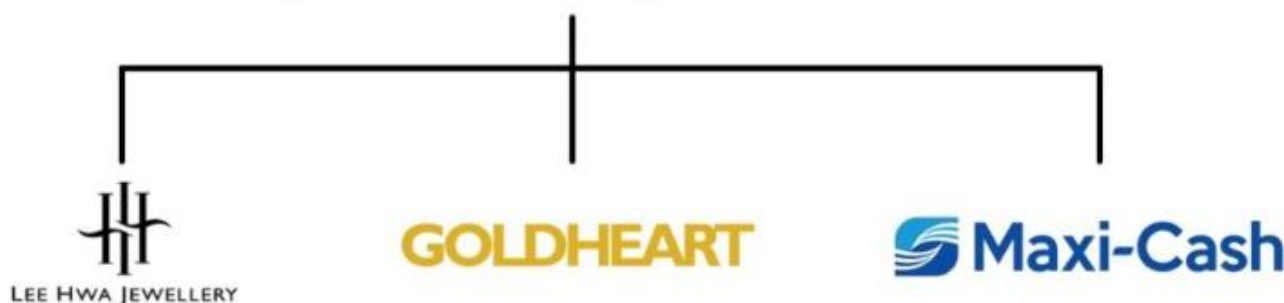
Pawn tickets are receipts issued to be proof of pawn transactions. A typical ticket is around 6 months and the extension of duration subject to the renewal of pawn tickets.

Background of Aspial Lifestyle

Aspial Lifestyle Limited (formerly known as Maxi-Cash Financial Services Corporation Ltd) is listed in the Catalist Board of the Singapore Exchange. Aspial Lifestyle Limited is 70.7% owned by their parent, Aspial Corporation Limited – listed on the Mainboard of the Exchange. Late last year, under the initiative of the parent company, Maxi-Cash Financial was rebranded as Aspial Lifestyle, housing the retail brands Lee Hwa Jewellery, Goldheart and Maxi-Cash.

Maxi-Cash brand is well established and has the largest network of outlets in Singapore. Maxi-Cash is in the business of pawnbroking, preloved branded merchandise as well as brand new jewellery retailing. At this moment, there are 14 outlets in Central, 17 in the North, 8 in the West and 7 in the East.

Aspial Lifestyle Limited



(Source: Company)

Background of Ion World Group

Ion World Group Sdn Bhd is incorporated in Malaysia, operating in 4 business segments – namely Pawn Business, Reloved Store, Real Estate and Credit Financing mainly serving customers in Johor state. Pawn business is the major contributor to the Group net profit. The pawn broking business is operated under the brand name – Dr. Pajak and recorded under the Malaysia Books of Records as the first player in Malaysia to do the drive thru model.

Risk

The risk of the pawnbroker includes:

- Intense competition from other competitors
- Macroeconomic uncertainty affecting (Interest rates, Commodity Prices, Forex)
- Exposure to security and transport risks
- Regulatory risk

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