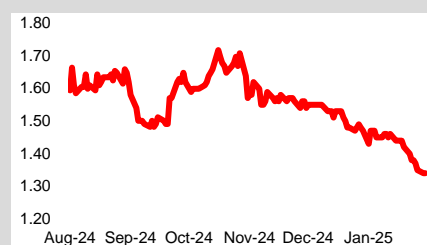


**DESCRIPTION**

RCE Capital is mainly involved in the general financing services to civil servants

<b>12-month Target Price</b>	RM1.50
<b>Current Price</b>	RM1.34
<b>Expected Return</b>	11.9%
<b>Previous Target Price</b>	RM1.50

<b>Market</b>	Main
<b>Sector</b>	Consumer Finance
<b>Bursa Code</b>	9296
<b>Bloomberg Ticker</b>	RCE MK
<b>Shariah-compliant</b>	Yes

**SHARE PRICE CHART**


52 Week Range (RM)	1.25-1.77
3-Month Average Vol ('000)	568.5

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-8.8	-21.5	-12.7
Relative Returns	-9.4	-19.1	-11.6

**KEY STOCK DATA**

Market Capitalisation (RMm)	1,967.2
No. of Shares (m)	1,468.0

**MAJOR SHAREHOLDERS**

	%
Cempaka Empayar SB	58.5
Lembaga Tabung Haji	3.5
Public Islamic Oppo FD	1.7

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## Anticipating Stronger 4QFY25

RCE's 3QFY25 net profit fell 11% YoY to RM30.8m, dragged by lower interest income and tighter credit policy on disbursements, given management's prudent approach to preserve asset quality. Cumulative 9MFY25 net profit of RM88.9m, came in below our and consensus estimates, accounting for 69% and 66% of our full-year estimates respectively. However, we are keeping our earnings estimates unchanged at this juncture, as we expect a stronger performance in 4QFY25. This is mainly underpinned by an increase in financing receivables following the salary adjustments for civil servants, as well as higher non-financing income. We maintain our **Neutral** call and DDM-derived TP of RM1.50 on RCE.

§ **Results review.** 3QFY25 revenue decreased by 9.2% YoY to RM79.3m, due to lower interest income and lower other revenue on tighter credit policy on loan disbursements. As a result, there has been a decline in RCE's financing receivables (-2.5% YoY, -0.2% QoQ) to RM2.05bn. In tandem with the lower revenue, RCE's net profit declined by 11% YoY to RM30.8m.

§ **Expecting improvement in financing receivables.** We foresee RCE to post better earnings in 4QFY25, underpinned by an increase in financing receivables, following the salary adjustments for civil servants. We understand that there has been a surge in demand for credit since the adjustment in civil servants' salary. Furthermore, the increase in loan disbursements should lead to an increase in RCE's non-financing income. This is reflected in the increase in RCE's other revenue (+14% QoQ). In addition, we believe that festive spending (Chinese New Year and Hari Raya) should also lead to an increase in demand for financing.

§ **Non-performing financing (NPF) still on the rise.** RCE's NPF continued its upward trajectory from 4.3% in 2QFY25 to 4.5%, due to early retirements and resignations among the civil service. Going forward, we are anticipating an improvement in RCE's NPF outlook, as the rise in civil servants' salaries should lead to lower resignations and early retirements within the civil service sector. Furthermore, RCE's Loan Loss Coverage (LLC) ratio of 145% should provide sufficient buffer to cover any potential defaults.

**KEY FINANCIAL SUMMARY**

FYE Mar (RM'm)	2023A	2024A	2025F	2026F	2027F	CAGR
Operating Income	261.6	281.1	270.4	292.0	309.1	3.2%
Pre-provision profit	212.6	215.1	200.6	220.1	236.3	3.2%
Pre-tax profit	183.9	184.8	169.8	189.3	204.0	3.3%
Net profit	138.8	138.8	129.1	143.9	155.0	3.8%
EPS (sen)	9.5	9.5	8.8	9.8	10.6	
P/E (x)	14.2	14.2	15.2	13.7	12.7	
DPS (sen)	15.0	7.5	6.0	6.5	7.0	
Dividend Yield (%)	11.2	5.6	4.5	4.9	5.2	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FYE Mar ((RM'm)</u>	<u>3Q25</u>	<u>3Q24</u>	<u>2Q25</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY25</u>	<u>YTD FY24</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Interest income	70.8	74.1	73.0	-4.4	-2.9	215.8	218.4	-1.2	
Interest expense	-24.2	-24.0	-25.7	1.1	-5.6	-75.4	-73.5	2.7	
Net interest income	46.6	50.1	47.3	-7.0	-1.5	140.4	144.9	-3.1	
Other non-profit income	16.7	23.4	17.9	-28.7	-6.8	50.5	69.1	-27.0	
Operating income	63.3	73.5	65.2	-13.9	-2.9	190.9	214.0	-10.8	YoY decline due to lower loan disbursements
Directors' remuneration and staff cost	-6.6	-11.3	-12.4	-42.1	-47.1	-26.3	-25.3	3.7	
Allowances for impairment loss	-8.4	-8.3	-6.4	0.7	31.7	-22.5	-19.9	12.9	
Depreciation	-1.0	-1.0	-1.0	6.7	-1.2	-3.1	-2.8	12.0	
Other expenses	-6.4	-6.9	-7.3	-8.1	-13.0	-19.5	-20.1	-2.9	
Finance cost	-0.1	-0.1	-0.1	-18.3	-30.2	-0.2	-0.2	3.6	
<b>Profit before tax</b>	<b>40.9</b>	<b>45.8</b>	<b>38.0</b>	<b>-10.8</b>	<b>7.6</b>	<b>119.3</b>	<b>145.7</b>	<b>-18.1</b>	
Taxation	-10.1	-11.3	-10.2	-10.3	-0.3	-30.4	-36.0	-15.6	
<b>Net profit</b>	<b>30.8</b>	<b>34.6</b>	<b>27.8</b>	<b>-11.0</b>	<b>10.5</b>	<b>88.9</b>	<b>109.7</b>	<b>-18.9</b>	

Gross financing receivables	2053.1	2106.8	2057.4	-2.5	-0.2
Allowance for impairment	-133.1	-123.9	-129.9	7.4	2.4
Net financing receivables	1920.1	1982.8	1927.5	-3.2	-0.4
Gross NPF ratio (%)	4.5	3.8	4.3		
Total borrowings	2194.7	2194.7	2050.6	0.0	7.0

Source: Company, PublicInvest Research

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Mar (RM'm)	2023A	2024A	2025F	2026F	2027F
Interest income	280.7	290.8	293.5	316.2	334.3
Interest expense	-90.1	-98.5	-101.1	-104.1	-107.3
<b>Net Interest Income</b>	<b>190.7</b>	<b>192.3</b>	<b>192.4</b>	<b>212.0</b>	<b>227.1</b>
Non-interest income	71.0	88.8	78.0	80.0	82.1
Staff costs	-27.1	-32.2	-38.1	-38.9	-39.1
Other operating expenses	-21.7	-33.6	-31.5	-32.7	-33.5
Pre-provision profit	212.6	215.1	200.6	220.1	236.3
Allowance for impairment	-28.7	-30.2	-30.8	-30.7	-32.3
Profit Before Tax	183.9	184.8	169.8	189.3	204.0
Income tax	-45.2	-46.1	-40.8	-45.4	-49.0
<b>Net profit</b>	<b>138.8</b>	<b>138.8</b>	<b>129.1</b>	<b>143.9</b>	<b>155.0</b>
<b>Growth</b>					
Interest income (%)	2.2	3.6	0.9	7.7	5.7
Pre-provision Profit (%)	12.6	1.2	-6.7	9.7	7.3
Net Profit (%)	4.2	0.0	-7.0	11.5	7.7

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Mar (RM'm)	2023A	2024A	2025F	2026F	2027F
Property, Plant and Equipment	7.2	7.3	6.8	6.6	6.6
Financial Receivables	2020.9	2100.4	2142.4	2249.6	2362.0
Cash and Deposits with Banks	879.7	840.2	916.0	929.1	942.8
Other Assets	39.0	47.7	35.1	29.2	22.9
<b>Total Assets</b>	<b>2946.8</b>	<b>2995.6</b>	<b>3100.3</b>	<b>3214.4</b>	<b>3334.3</b>
Trade and Other Payables	36.6	34.6	34.6	34.6	34.6
Interest-bearing Debt	2091.5	2119.6	2183.2	2248.7	2316.1
Other Liabilities	13.0	11.7	11.7	11.7	11.7
Total Liabilities	2141.2	2165.8	2229.4	2294.9	2362.4
Shareholders' Equity and Minority	805.7	829.8	870.9	919.5	971.9
<b>Total Equity and Liabilities</b>	<b>2946.8</b>	<b>2995.6</b>	<b>3100.3</b>	<b>3214.4</b>	<b>3334.3</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Mar	2023A	2024A	2025F	2026F	2027F
Book Value Per Share (RM)	0.5	0.6	0.6	0.6	0.7
P/BV	3.1	3.1	2.9	2.8	2.6
EPS (Sen)	9.5	9.5	8.8	9.8	10.6
DPS (Sen)	15.0	7.5	6.0	6.5	7.0
Payout Ratio (%)	158.4	79.2	68.1	66.2	66.2
ROA (%)	4.7	4.6	4.2	4.5	4.6
ROE (%)	17.2	16.7	14.8	15.6	15.9

Source: Company, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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