



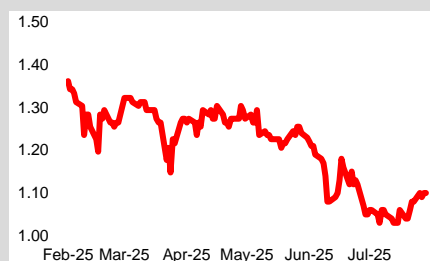
#### DESCRIPTION

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

12-month Target Price	RM1.22
Current Price	RM1.10
Expected Return	10.8%
Previous Target Price	RM1.43

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

#### SHARE PRICE CHART



52 Week Range (RM)	1.02-1.77
3-Month Average Vol ('000)	730.8

#### SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-1.8	-13.7	-21.5
Relative Returns	-0.4	-18.1	-22.3

#### KEY STOCK DATA

Market Capitalisation (RMm)	1,614.8
No. of Shares (m)	1,468.0

#### MAJOR SHAREHOLDERS

	%
Cempaka Empayar SB	59.1
Employees Provident Fund	4.1
Lembaga Tabung Haji	3.8

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## Easing Financing Receivables Growth

RCE's 1QFY26 net profit decreased by 14% YoY to RM26m, dragged by higher impairment allowances on the back of an uptick in self-declared bankruptcy and early retirements within the civil service. Results were below expectations, accounting for 19% of our and consensus estimates. The discrepancy in our forecast was mainly due to the lower-than-expected loan disbursements. As such, we cut our earnings forecast for FY26-28F by 9-12%, as we lower our financing receivables assumption to account for RCE's cautious lending stance and increased competition especially from digital lenders. We maintain our **Neutral** rating on RCE, as we are concerned of the group's asset quality as non-performing financing (NPF) ratio is still elevated. Post earnings adjustment, our DDM derived TP is lowered to RM1.22.

§ **Results review.** 1QFY26 revenue grew marginally by 0.8% YoY, due to higher fee income from increased disbursements. Despite the higher revenue, RCE's net profit declined 14% YoY to RM26m, dragged by higher credit cost given early retirement while self-declared bankruptcy trends continued to increase.

§ **Financing receivables growth tapered off slightly.** RCE saw its financing receivables eased marginally by 0.2% QoQ, likely due to the high base effect in 4QFY25 following salary adjustments. While credit demand is still resilient, management continues to adopt a cautious lending approach amid a challenging operating environment. Recall that the Malaysian Anti-Corruption Commission had earlier dismantled a financial syndicate that facilitated personal loans for blacklisted civil servants through falsified documentation. As such, we lower our financing receivables growth assumption to 1-2% for FY26-28F (from 3% previously).

§ **Early signs of easing for impairments.** While impairment provisions eased 25% QoQ, signaling early signs of moderation, we are still cautious on RCE's asset quality, given the persistently high bankruptcy rate and early retirement cases within the civil service. RCE's NPF ratio climbed to a record 4.8% reflecting ongoing concerns over the credit quality of new customers. We understand that RCE provided an additional one-off c.RM3m impairment, to reflect lower repayments following a revision in debt service ratio (DSR) treatment, which now excludes certain allowances. Previously, these allowances were factored into the 60% DSR threshold, enabling higher financing eligibility. However, the exclusion had resulted in lower financing eligibility and payroll deductions, leading to only partial repayments of financing to RCE. As such, RCE has provisioned for the impacted portion of the portfolio.

#### KEY FINANCIAL SUMMARY

FYE Mar (RM'm)	2024A	2025A	2026F	2027F	2028F	CAGR
Operating Income	281.1	259.5	257.5	273.9	288.5	3.6%
Pre-provision profit	215.1	195.0	195.0	207.8	220.0	4.1%
Pre-tax profit	184.8	146.5	159.2	172.1	184.2	7.9%
Core net profit	138.8	105.5	121.0	130.8	140.0	9.9%
EPS (sen)	9.5	7.2	8.2	8.9	9.5	
P/E (x)	11.6	15.3	13.3	12.3	11.5	
DPS (sen)	7.5	6.5	5.8	6.2	6.7	
Dividend Yield (%)	6.8	5.9	5.2	5.7	6.1	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<b>FYE Mar (RM'm)</b>	<b>1Q26</b>	<b>1Q25</b>	<b>4Q25</b>	<b>YoY chg (%)</b>	<b>QoQ chg (%)</b>	<b>YTD FY26</b>	<b>YTD FY25</b>	<b>YoY chg (%)</b>	<b>Comments</b>
Interest income	71.2	72.0	76.6	-1.2	-7.0	71.2	72.0	-1.2	
Interest expense	-24.2	-25.5	-24.9	-5.2	-2.9	-24.2	-25.5	-5.2	
Net interest income	47.0	46.5	51.7	1.1	-9.0	47.0	46.5	1.1	
Other non-profit income	16.6	15.9	25.0	4.2	-33.8	16.6	15.9	4.2	
Operating income	63.6	62.4	76.7	1.9	-17.1	63.6	62.4	1.9	YoY growth on higher fee income
Directors' remuneration and staff cost	-7.5	-7.3	-7.6	3.1	-0.9	-7.5	-7.3	3.1	
Allowances for impairment loss	-11.3	-7.7	-15.0	46.1	-24.6	-11.3	-7.7	46.1	Higher credit cost as early retirements and bankruptcy cases remains elevated, including one-off impairment of RM3m
Impairment of goodwill on consolidation	0.0	0.0	-19.0	0.0	-100.0	0.0	0.0	0.0	
Depreciation and amortisation	-1.3	-1.1	-1.0	23.8	32.3	-1.3	-1.1	23.8	
Other expenses	-7.9	-5.8	-6.6	35.1	19.8	-7.9	-5.8	35.1	
Finance cost	0.0	0.0	0.0	-86.9	-85.8	0.0	0.0	-86.9	
<b>Profit before tax</b>	<b>35.5</b>	<b>40.4</b>	<b>27.5</b>	<b>-12.1</b>	<b>29.2</b>	<b>35.5</b>	<b>40.4</b>	<b>-12.1</b>	
Taxation	-9.5	-10.1	-10.6	-6.0	-10.3	-9.5	-10.1	-6.0	
<b>Net profit</b>	<b>26.0</b>	<b>30.3</b>	<b>16.9</b>	<b>-14.1</b>	<b>53.9</b>	<b>26.0</b>	<b>30.3</b>	<b>-14.1</b>	
<b>Core net profit</b>	<b>26.0</b>	<b>30.3</b>	<b>35.9</b>	<b>-14.1</b>	<b>-27.5</b>	<b>26.0</b>	<b>30.3</b>	<b>-14.1</b>	
Gross financing receivables	2087.4	2074.4	2090.7	0.6	-0.2				
Allowance for impairment	-144.2	-129.9	-140.7	11.0	2.5				
Net financing receivables	1943.2	1944.4	1950.1	-0.1	-0.4				
Gross NPF ratio (%)	4.8	4.2	4.6						NPF climbed to all-time high
Total borrowings	2202.5	2162.6	2058.0	1.8	7.0				

Source: Company, PublicInvest Research

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Mar (RM'm)	2024A	2025A	2026F	2027F	2028F
Interest income	290.8	284.3	280.9	298.9	315.1
Interest expense	-98.5	-100.3	-100.3	-103.3	-106.4
<b>Net Interest Income</b>	<b>192.3</b>	<b>184.0</b>	<b>180.6</b>	<b>195.6</b>	<b>208.7</b>
Non-interest income	88.8	75.5	76.9	78.3	79.7
Staff costs	-32.2	-33.9	-32.2	-34.1	-35.9
Other operating expenses	-33.6	-30.5	-30.2	-31.7	-32.4
Pre-provision profit	215.1	195.0	195.0	207.8	220.0
Allowance for impairment	-30.2	-37.5	-35.7	-35.7	-35.7
Profit Before Tax	184.8	146.5	159.2	172.1	184.2
Income tax	-46.1	-41.0	-38.2	-41.3	-44.2
<b>Net profit</b>	<b>138.8</b>	<b>105.5</b>	<b>121.0</b>	<b>130.8</b>	<b>140.0</b>
<b>Core net profit</b>	<b>138.8</b>	<b>124.5</b>	<b>121.0</b>	<b>130.8</b>	<b>140.0</b>

#### Growth

Interest income (%)	3.6	-2.2	-1.2	6.4	5.4
Pre-provision Profit (%)	1.2	-9.3	0.0	6.6	5.8
Net Profit (%)	0.0	-23.9	14.7	8.1	7.1

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Mar (RM'm)	2024A	2025A	2026F	2027F	2028F
Property, Plant and Equipment	7.3	4.9	6.6	6.6	7.6
Financial Receivables	2100.4	2090.7	2111.6	2143.3	2186.2
Cash and Deposits with Banks	840.2	767.5	846.9	919.1	984.6
Other Assets	47.7	123.0	119.1	118.0	116.2
<b>Total Assets</b>	<b>2995.6</b>	<b>2986.2</b>	<b>3084.2</b>	<b>3187.0</b>	<b>3294.5</b>
Trade and Other Payables	34.6	34.3	34.3	34.3	34.3
Interest-bearing Debt	2119.6	2058.0	2119.8	2183.4	2248.9
Other Liabilities	11.7	54.3	54.3	54.3	54.3
Total Liabilities	2165.8	2146.6	2208.4	2272.0	2337.5
Shareholders' Equity and Minority	829.8	839.5	875.8	915.1	957.1
<b>Total Equity and Liabilities</b>	<b>2995.6</b>	<b>2986.2</b>	<b>3084.2</b>	<b>3187.0</b>	<b>3294.5</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Mar	2024A	2025A	2026F	2027F	2028F
Book Value Per Share (RM)	0.6	0.6	0.6	0.6	0.7
P/BV	1.9	1.9	1.8	1.8	1.7
EPS (Sen)	9.5	7.2	8.2	8.9	9.5
DPS (Sen)	7.5	6.5	5.8	6.2	6.7
Payout Ratio (%)	79.4	90.4	70.0	70.0	70.0
ROA (%)	4.6	3.5	3.9	4.1	4.3
ROE (%)	16.7	12.6	13.8	14.3	14.6

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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