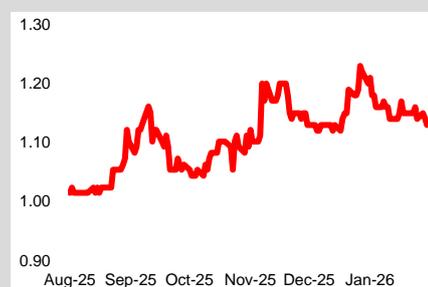


DESCRIPTION

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

| | |
|-----------------------|--------|
| 12-month Target Price | RM1.28 |
| Current Price | RM1.13 |
| Expected Return | 13.5% |
| Previous Target Price | RM1.22 |

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

SHARE PRICE CHART


| | |
|----------------------------|-----------|
| 52 Week Range (RM) | 1.02-1.38 |
| 3-Month Average Vol ('000) | 724.7 |

SHARE PRICE PERFORMANCE

| | 1M | 3M | 6M |
|------------------|------|------|------|
| Absolute Returns | -7.4 | 1.6 | 9.3 |
| Relative Returns | -6.0 | -6.2 | -2.6 |

KEY STOCK DATA

| | |
|-----------------------------|---------|
| Market Capitalisation (RMm) | 1,658.9 |
| No. of Shares (m) | 1,468.0 |

MAJOR SHAREHOLDERS

| | % |
|--------------------------|------|
| Cempaka Empayar SB | 59.2 |
| Employees Provident Fund | 4.1 |
| Lembaga Tabung Haji | 3.8 |

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Impairments Continued to Ease

RCE's 3QFY26 net profit jumped by 19.1% YoY to RM36.6m, on lower credit cost likely due to the moderating bankruptcy and resignation cases within the civil service. Cumulative 9MFY26 net profit of RM92m were in-line with expectations, accounting for 75% and 76% of our and consensus estimates respectively. We think that the operating environment for RCE has improved, as bankruptcy rates and early retirement cases seem to be tapering off, evidenced by the sequential decline in credit cost. Furthermore, we believe that the 7% civil servant salary hike in Jan 2026 will translate to healthy financing receivables growth, given the strong correlation between RCE's financing receivables and government emoluments. We maintain our **Outperform** call on RCE, with a higher TP of RM1.28 as we rollover our DDM base year to CY27F. RCE's dividend yield of 5.5% for FY27F remains attractive.

§ **Results review.** 3QFY26 revenue rose 2.4% YoY, attributable to higher profit from increased disbursement and early settlement income due to refinancing activities by customers. Net profit increased by 19.1% YoY to RM36.6m, largely attributable to the lower credit cost and staff cost. Additionally, RCE's financing expense declined by 2% QoQ, likely driven by lower funding cost following the OPR cut back in July 2025.

§ **Slight decline in financing receivables.** RCE's financing receivables fell marginally by 0.3% on a QoQ basis, mainly due to lower financing demand with civil servants deferring financing ahead of the salary adjustment. However, we foresee financing receivables to pick up going forward, given the 7% adjustment in civil servant salary in Jan 2026. Furthermore, the upcoming raya celebration could lead to an increase in demand for personal financing.

§ **Sequential decline in impairments.** RCE's credit cost continued to decline by 43.7% QoQ while non-performing financing (NPF) ratio fell to 4.4% (2QFY26: 4.7%). We think that the operating environment for RCE has improved, as bankruptcy rate and early retirement cases seem to have tapered off from its peak. Additionally, the civil servant salary adjustment should enhance financial stability among public sector employees, which could help reduce job migration from the public to private sector.

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) | 12.0 | 15.7 | 13.7 | 12.7 | 11.8 | |
| DPS (sen) | 7.5 | 6.5 | 5.8 | 6.2 | 6.7 | |
| Dividend Yield (%) | 6.6 | 5.8 | 5.1 | 5.5 | 5.9 | |

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

| <u>FYE Mar (RM'm)</u> | <u>3Q26</u> | <u>3Q25</u> | <u>2Q26</u> | <u>YoY chg (%)</u> | <u>QoQ chg (%)</u> | <u>YTD FY26</u> | <u>YTD FY25</u> | <u>YoY chg (%)</u> | <u>Comments</u> |
|-----------------------------------------|-------------|-------------|-------------|----------------------------|----------------------------|---------------------|---------------------|----------------------------|--------------------------------------------------------------------------------------------|
| Interest income | 72.5 | 70.8 | 73.1 | 2.3 | -0.8 | 216.8 | 215.8 | 0.4 | |
| Interest expense | -23.8 | -24.2 | -24.4 | -1.7 | -2.2 | -72.4 | -75.4 | -4.1 | |
| Net interest income | 48.7 | 46.6 | 48.7 | 4.5 | -0.2 | 144.4 | 140.4 | 2.9 | |
| Other non-profit income | 17.0 | 16.7 | 18.4 | 1.9 | -7.3 | 52.0 | 50.5 | 2.9 | |
| Operating income | 65.7 | 63.3 | 67.1 | 3.8 | -2.1 | 196.4 | 190.9 | 2.9 | YoY growth on higher profit and early settlement income |
| Directors' remuneration and staff cost | -7.7 | -6.6 | -10.6 | 18.1 | -27.0 | -25.9 | -26.3 | -1.4 | |
| Allowances for impairment loss | -3.0 | -8.4 | -5.3 | -64.7 | -43.7 | -19.5 | -22.5 | -13.1 | Improvement in credit cost as early retirements and bankruptcy cases continue to taper off |
| Impairment of goodwill on consolidation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Depreciation and amortisation | -1.3 | -1.0 | -1.4 | 32.8 | -5.8 | -4.1 | -3.1 | 31.9 | |
| Other expenses | -5.0 | -6.4 | -8.4 | -21.6 | -40.1 | -21.2 | -19.5 | 8.7 | |
| Finance cost | 0.0 | -0.1 | 0.0 | -32.8 | -4.3 | -0.1 | -0.2 | -51.9 | |
| Profit before tax | 48.6 | 40.9 | 41.4 | 18.8 | 17.3 | 125.5 | 119.3 | 5.2 | |
| Taxation | -12.0 | -10.1 | -12.1 | 18.1 | -1.1 | -33.6 | -30.4 | 10.4 | |
| Net profit | 36.6 | 30.8 | 29.3 | 19.1 | 24.9 | 92.0 | 88.9 | 3.4 | |
| Core net profit | 36.6 | 30.8 | 29.3 | 19.1 | 24.9 | 92.0 | 88.9 | 3.4 | |
| Gross financing receivables | 2088.3 | 2053.1 | 2095.3 | 1.7 | -0.3 | | | | QoQ decline as civil servants defer financing ahead of planned salary adjustment |
| Allowance for impairment | -138.1 | -133.1 | -141.9 | 3.8 | -2.7 | | | | |
| Net financing receivables | 1950.1 | 1920.1 | 1953.4 | 1.6 | -0.2 | | | | |
| Gross NPF ratio (%) | 4.4 | 4.5 | 4.7 | | | | | | NPF continues to decline |
| Total borrowings | 2110.5 | 2194.7 | 2111.2 | -3.8 | 0.0 | | | | |

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 |
| Net Interest Income | 192.3 | 184.0 | 180.6 | 195.6 | 208.7 |
| 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 |
| Net profit | 138.8 | 105.5 | 121.0 | 130.8 | 140.0 |
| Core net profit | 138.8 | 124.5 | 121.0 | 130.8 | 140.0 |
| 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 |
| Total Assets | 2995.6 | 2986.2 | 3084.2 | 3187.0 | 3294.5 |
| 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 |
| Total Equity and Liabilities | 2995.6 | 2986.2 | 3084.2 | 3187.0 | 3294.5 |

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

| | |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OUTPERFORM | The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months. |
| NEUTRAL | The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months. |
| UNDERPERFORM | The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months. |
| TRADING BUY | 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. |
| TRADING SELL | The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months. |
| NOT RATED | The stock is not within regular research coverage. |

SECTOR

| | |
|--------------------|----------------------------------------------------------------------------------------------|
| OVERWEIGHT | The sector is expected to outperform a relevant benchmark over the next 12 months. |
| NEUTRAL | The sector is expected to perform in line with a relevant benchmark over the next 12 months. |
| UNDERWEIGHT | The sector is expected to underperform a relevant benchmark over the next 12 months. |

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