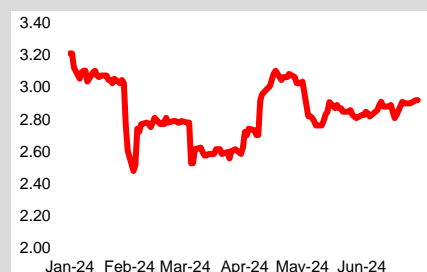


DESCRIPTION

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

12-month Target Price	RM3.18
Current Price	RM2.92
Expected Return	+8.9%
Previous Target Price	RM3.18

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

SHARE PRICE CHART


52 Week Range (RM)	2.18-3.40
3-Month Average Vol ('000)	523.5

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	3.9	12.9	-7.7
Relative Returns	1.9	4.5	-19.8

KEY STOCK DATA

Market Capitalisation (RMm)	2,139.9
No. of Shares (m)	732.9

MAJOR SHAREHOLDERS

	%
Cempaka Empayar SB	58.5
Woo Khai Yoon	1.5
EPF	1.5

Wong Ling Ling
T 603 2268 3000
F 603 2268 3014
E wong.lingling@publicinvestbank.com.my

Proposed Bonus Issue

RCE Capital has proposed a one-for-one bonus issue with an entitlement date to be determined later which will involve the issuance of up to 764.9m new shares. This will bring the enlarged share capital to 1.53bn shares. We are positive on this proposal as we believe that the bonus issue will enhance the marketability of its shares, making it more appealing to a wider base of public shareholders, thereby improving its trading liquidity. Should the proposed bonus issue go through, our DDM-derived TP will be adjusted to RM1.56, under the maximum number of shares issued. Nevertheless, we maintain our **Neutral** call and TP of RM3.18 on RCE at this juncture, pending further details from the proposal.

§ **Details of proposed bonus issue.** RCE has proposed to undertake a one-for-one bonus issue of up to 741.1m new shares (including treasury shares). RCE has an additional 23.8m outstanding options pursuant to its existing employee's share scheme (ESS), with an exercise price between RM1.19 to RM2.55 each. Assuming full conversion of ESS, the proposed bonus issue will issue up to 764.9m new shares, bringing the enlarged share base to 1.53bn shares and an enlarged share capital of RM261.4m. The proposed bonus issue is expected to be completed in 3QCY24.

§ **Rationale.** This proposal is a form of reward to existing shareholders, and we are positive on this exercise as we believe that it will further enhance the marketability of RCE's shares, thereby improving its liquidity. A more appealing share price should attract higher participation from a wider group of investors.

§ **No direct change to fundamentals.** The corporate exercise is not expected to have an impact on RCE's fundamentals. Assuming a maximum conversion of ESS, RCE's FY25F EPS will be diluted to 9.8sen from 20.2sen, based on an enlarged share base of 1.53bn. Should the proposed bonus issue go through, our TP will be adjusted accordingly to RM1.56, based on the maximum scenario.

KEY FINANCIAL SUMMARY

FYE Mar (RM'm)	2023A	2024A	2025F	2026F	2027F	CAGR
Operating Income	261.6	274.7	283.9	299.2	313.2	4.5%
Pre-provision profit	212.6	208.7	225.5	239.2	252.0	6.5%
Pre-tax profit	183.9	184.8	194.5	207.4	218.3	5.7%
Net profit	138.8	138.8	147.8	157.6	165.9	6.1%
EPS (sen)	18.9	18.9	20.2	21.5	22.7	
P/E (x)	15.6	15.6	14.6	13.7	13.0	
DPS (sen)	30.0	15.0	14.0	15.0	16.0	
Dividend Yield (%)	10.3	5.1	4.8	5.1	5.5	

Source: Company, PublicInvest Research estimates

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Mar (RM'm)	2023A	2024A	2025F	2026F	2027F
Interest income	280.7	290.8	315.4	332.1	347.5
Interest expense	-90.1	-98.5	-102.8	-105.9	-109.0
Net Interest Income	190.7	192.3	212.7	226.3	238.4
Non-interest income	71.0	82.4	71.3	73.0	74.8
Staff costs	-27.1	-32.2	-32.9	-34.2	-35.3
Other operating expenses	-21.7	-33.6	-25.3	-25.6	-25.6
Pre-provision profit	212.6	208.7	225.5	239.2	252.0
Allowance for impairment	-28.7	-30.2	-31.1	-31.8	-33.7
Profit Before Tax	183.9	184.8	194.5	207.4	218.3
Income tax	-45.2	-46.1	-46.7	-49.8	-52.4
Net profit	138.8	138.8	147.8	157.6	165.9
Growth					
Interest income (%)	2.2	3.6	8.5	5.3	4.6
Pre-provision Profit (%)	12.6	-1.9	8.1	6.1	5.4
Net Profit (%)	4.2	0.0	6.5	6.7	5.3

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	2184.4	2359.2	2453.6
Cash and Deposits with Banks	879.7	840.2	926.3	876.1	903.2
Other Assets	39.0	47.7	21.4	10.1	4.6
Total Assets	2946.8	2995.6	3139.0	3252.0	3368.0
Trade and Other Payables	36.6	34.6	34.6	34.6	34.6
Interest-bearing Debt	2091.5	2119.6	2218.9	2285.5	2354.1
Other Liabilities	13.0	11.7	11.7	11.7	11.7
Total Liabilities	2141.2	2165.8	2265.2	2331.7	2400.3
Shareholders' Equity and Minority	805.7	829.8	873.8	920.3	967.7
Total Equity and Liabilities	2946.8	2995.6	3139.0	3252.0	3368.0

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Mar	2023A	2024A	2025F	2026F	2027F
Book Value Per Share (RM)	1.1	1.1	1.2	1.2	1.3
P/BV	2.9	2.8	2.6	2.5	2.4
EPS (Sen)	18.9	18.9	20.2	21.5	22.7
DPS (Sen)	30.0	15.0	14.0	15.0	16.0
Payout Ratio (%)	158.4	80.1	70.2	70.5	71.5
ROA (%)	4.7	4.6	4.7	4.8	4.9
ROE (%)	17.2	16.7	16.9	17.1	17.1

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.

DISCLAIMER

This document has been prepared solely for information and private circulation only. It is for distribution under such circumstances as may be permitted by applicable law. The information contained herein is prepared from data and sources believed to be reliable at the time of issue of this document. The views/opinions expressed herein are subject to change without notice and solely reflects the personal views of the analyst(s) acting in his/her capacity as employee of Public Investment Bank Berhad ("PIVB"). PIVB does not make any guarantee, representations or warranty neither expressed or implied nor accepts any responsibility or liability as to its fairness liability adequacy, completeness or correctness of any such information and opinion contained herein. No reliance upon such statement or usage by the addressee/anyone shall give rise to any claim/liability for loss of damage against PIVB, Public Bank Berhad, its affiliates and related companies, directors, officers, connected persons/employees, associates or agents.

This document is not and should not be construed or considered as an offer, recommendation, invitation or a solicitation of an offer to purchase or subscribe or sell any securities, related investments or financial instruments. Any recommendation in this document does not have regards to the specific investment objectives, financial situation, risk profile and particular needs of any specific persons who receive it. We encourage the addressee of this document to independently evaluate the merits of the information contained herein, consider their own investment objectives, financial situation, particular needs, risks and legal profiles, seek the advice of their, amongst others, tax, accounting, legal, business professionals and financial advisers before participating in any transaction in respect of any of the securities of the company (ies) covered in this document.

PIVB, Public Bank Berhad, our affiliates and related companies, directors, officers, connected persons/employees, associates or agents may own or have positions in the securities of the company(ies) covered in this document or any securities related thereto and may from time to time add or dispose of, or may be materially interested in, any such securities. Further PIVB, Public Bank Berhad, our affiliates and related companies, associates or agents do and/or seek to do business with the company(ies) covered in this document and may from time to time act as market maker or have assumed an underwriting commitment in the securities of such company(ies), may sell them or buy them from customers on a principal basis, may have or intend to accommodate credit facilities or other banking services and may also perform or seek to perform investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment advisory or other services from any entity mentioned in this document. The analyst(s) and associate analyst(s) principally responsible for the preparation of this document may participate in the solicitation of businesses described aforesaid and would receive compensation based upon various factors, including the quality of research, investor client feedback, stock pickings and performance of his/her recommendation and competitive factors. The analyst(s) and associate analyst(s) may also receive compensation or benefit (including gift and company/issuer-sponsored and paid trips in line with the Bank's policies) in executing his/her duties. Hence, the addressee or any persons reviewing this document should be aware of the foregoing, amongst others, may give rise to real or potential conflicts of interest.

Published and printed by:

PUBLIC INVESTMENT BANK BERHAD (20027-W)
26th Floor, Menara Public Bank 2
78, Jalan Raja Chulan,
50200 Kuala Lumpur
T 603 2268 3000
F 603 2268 3014