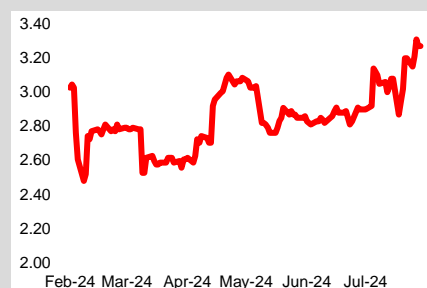


**DESCRIPTION**

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

12-month Target Price	RM3.18
Current Price	RM3.27
Expected Return	-2.8%
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)	2.28-3.40
3-Month Average Vol ('000)	545.0

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	12.4	6.7	8.1
Relative Returns	13.7	4.0	-0.7

**KEY STOCK DATA**

Market Capitalisation (RMm)	2,396.4
No. of Shares (m)	732.9

**MAJOR SHAREHOLDERS**

	%
Cempaka Empayar SB	58.5
Lembaga Tabung Haji	3.47
Public Islamic OPPO FD	1.74

**Wong Ling Ling**

T 603 2268 3000

F 603 2268 3014

E wong.lingling@publicinvestbank.com.my

**Affected by Increase in Provisions**

RCE's 1QFY25 net profit declined by 17.8% YoY to RM30.3m, dragged by lower fee income and higher allowance for impairment loss on receivables. Results came in broadly within our and consensus estimates, accounting for 21% and 20% of our full-year forecast respectively. Nevertheless, we adjust our earnings forecast for FY25-27F by an average of 2% due to book-keeping changes. We believe that RCE's financing receivables growth will likely accelerate in 2HFY25, driven by the adjustment in civil servants' salaries that will be implemented later this year, given the strong correlation with government emoluments. We maintain our **Neutral** call and TP of RM3.18 on RCE.

§ **Results review.** 1QFY25 net profit declined by 17.8% YoY to RM30.3m, mainly due to lower fee income and higher allowance for impairment loss. This is likely dragged by the higher Non-Performing Financing (NPF) which saw it increasing to 4.2% (1QFY24: 3.7%), attributable to higher early retirements and resignations among the civil servants. On a QoQ basis, RCE's net profit rose by 4.3%, given the lower allowance impairment loss for receivables and facility fee.

§ **Financing receivables growth muted.** RCE saw an increase in NPF from RM75.5m in 1QFY24 to RM86.9m in 1QFY25, given the shift in employment among the civil service. The group's asset quality is still healthy as its current NPF of 4.3% is still within the range of 3.7%-4.4% since FY19, though it is slightly on the higher side. Nevertheless, RCE's financing receivables grew by 1.4% YoY to RM2.07bn, with the upcoming salary adjustment among civil servants boding well for RCE.

§ **Outlook.** We believe that RCE's financing receivables growth will likely accelerate in 2HFY25, driven by the adjustment in civil servants' salaries that will be implemented on 1 Dec 2024 given the strong correlation with government emoluments. We forecast RCE's financing receivables to growth at a 3-year CAGR of 5% from FY24-FY27F.

**KEY FINANCIAL SUMMARY**

FYE Mar (RM'm)	2023A	2024A	2025F	2026F	2027F	CAGR
Operating Income	261.6	281.1	290.3	303.8	317.7	4.2%
Pre-provision profit	212.6	215.1	223.7	235.5	247.7	4.8%
Pre-tax profit	183.9	184.8	192.6	203.6	214.0	5.0%
Net profit	138.8	138.8	146.4	154.8	162.7	5.4%
EPS (sen)	18.9	18.9	20.0	21.1	22.2	
P/E (x)	17.3	17.3	16.4	15.5	14.7	
DPS (sen)	30.0	15.0	14.0	15.0	16.0	
Dividend Yield (%)	9.2	4.6	4.3	4.6	4.9	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FYE Mar ((RM'm)</u>	<u>1Q25</u>	<u>1Q24</u>	<u>4Q24</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	72.0	71.1	72.4	1.3	-0.5	72.0	71.1	1.3	
Interest expense	-25.5	-24.9	-25.0	2.4	1.9	-25.5	-24.9	2.4	
Net interest income	46.5	46.2	47.4	0.8	-1.8	46.5	46.2	0.8	
Other non-profit income	15.9	21.4	19.7	-25.7	-19.2	15.9	21.4	-25.7	
Operating income	62.4	67.6	67.1	-7.6	-6.9	62.4	67.6	-7.6	
Directors' remuneration and staff cost	-7.3	-7.1	-6.9	3.0	6.3	-7.3	-7.1	3.0	
Allowances for impairment loss	-7.7	-4.7	-10.3	64.2	-24.9	-7.7	-4.7	64.2	
Depreciation	-1.1	-0.9	-1.0	15.5	1.9	-1.1	-0.9	15.5	
Other expenses	-5.8	-5.8	-9.6	0.4	-39.5	-5.8	-5.8	0.4	
Finance cost	0.0	-0.1	-0.1	-26.4	-43.5	0.0	-0.1	-26.4	
Profit before tax	40.4	49.0	39.1	-17.4	3.4	40.4	49.0	-17.4	
Taxation	-10.1	-12.1	-10.1	-16.4	0.5	-10.1	-12.1	-16.4	
Net profit	30.3	36.9	29.1	-17.8	4.3	30.3	36.9	-17.8	

Gross financing receivables	2074.4	2045.4	2100.4	1.4	-1.2
Allowance for impairment	-129.9	-119.9	-127.7	8.4	1.8
Net financing receivables	1944.4	1925.5	1972.7	1.0	-1.4

Gross NPF ratio (%)	4.2	3.7	4.0		
Total borrowings	2162.6	2197.0	2119.6	-1.6	2.0

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	313.4	327.9	342.9
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>212.3</b>	<b>223.8</b>	<b>235.6</b>
Non-interest income	71.0	88.8	78.0	80.0	82.1
Staff costs	-27.1	-32.2	-33.3	-34.4	-35.6
Other operating expenses	-21.7	-33.6	-33.1	-33.7	-34.2
Pre-provision profit	212.6	215.1	223.7	235.5	247.7
Allowance for impairment	-28.7	-30.2	-31.1	-31.8	-33.7
Profit Before Tax	183.9	184.8	192.6	203.6	214.0
Income tax	-45.2	-46.1	-46.2	-48.9	-51.4
<b>Net profit</b>	<b>138.8</b>	<b>138.8</b>	<b>146.4</b>	<b>154.8</b>	<b>162.7</b>
<b>Growth</b>					
Interest income (%)	2.2	3.6	7.8	4.6	4.6
Pre-provision Profit (%)	12.6	1.2	4.0	5.3	5.2
Net Profit (%)	4.2	0.0	5.5	5.7	5.1

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	890.3	837.4	861.4
Other Assets	39.0	47.7	21.4	10.2	4.6
<b>Total Assets</b>	<b>2946.8</b>	<b>2995.6</b>	<b>3103.0</b>	<b>3213.3</b>	<b>3326.2</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	873.5	918.4	963.8
<b>Total Equity and Liabilities</b>	<b>2946.8</b>	<b>2995.6</b>	<b>3103.0</b>	<b>3213.3</b>	<b>3326.2</b>

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	1.3	1.3
P/BV	3.0	2.9	2.7	2.6	2.5
EPS (Sen)	18.9	18.9	20.0	21.1	22.2
DPS (Sen)	30.0	15.0	14.0	15.0	16.0
Payout Ratio (%)	158.4	79.2	70.1	71.0	72.1
ROA (%)	4.7	4.6	4.7	4.8	4.9
ROE (%)	17.2	16.7	16.8	16.9	16.9

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.

## **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