KDN PP17686/03/2013(032117)

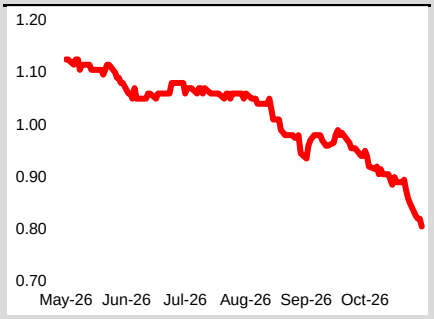
RCE CAPITAL BERHAD — *Trading Buy*

DESCRIPTION

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

12-month Target Price	RM1.00
Current Price	RM0.805
Expected Return	24.6%
Previous Target Price	*RM1.25*
Market	Main
Sector	Consumer Finance
Bursa Code	9296
Bloomberg Ticker	RCE MK
Shariah-compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	0.80-1.25
3-Month Average Vol ('000)	625.1

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-14.4	-24.1	-27.8
Relative Returns	-12.5	-15.0	-23.9

KEY STOCK DATA

Market Capitalisation (RMm)	1,181.8
No. of Shares (m)	1,468.0

MAJOR SHAREHOLDERS

	%
Cempaka Empayar SB	59.4
Public Mutual	4.3
Employees Providend Fund	3.7

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

Muted Financing Receivables Growth

RCE's 2QFY27 core net profit grew 10% YoY to RM32.2m, driven by higher early settlement income amid increased refinancing activities, alongside lower interest expenses. Impairment charge rose 17.8% YoY, likely due conservative provisioning to preserve asset quality. Cumulative 1HFY27 core net profit of RM62.6m was in-line with expectations, accounting for 48% of our and consensus estimates. Our DDM derived TP for RCE is lowered to RM1.00, implying a P/BV of 1.6x, as we raise our cost of equity assumption to 9.4%, to reflect a higher risk-free rate and asset quality risk. Nevertheless, we believe the recent share price weakness has largely priced in concerns over muted financing receivables growth and rising credit cost, as RCE is currently trading below -2SD of its 1-year forward average P/B of 1.8x (see figure 1). Additionally, we think that RCE continues to offer a defensive dividend profile, supported by an attractive dividend yield of >7% in FY27F. Hence, we maintain our ***Trading Buy*** call on RCE. Separately, RCE declared a first interim dividend of 3sen.

- **Results review.** RCE's 2QFY27 revenue increased by 3.4% YoY to RM84m, on stronger early settlement income from higher refinancing activities. Core net profit grew 9.9% YoY, lifted by lower interest and tax expenses. On a sequential basis, core net profit rose by 5.9% QoQ, underpinned by higher fee income and lower allowance for impairment loss.

- **Financing receivables remain subdued.** RCE's financing receivables fell 0.4% QoQ to RM2.09bn, likely reflecting management's prudent approach to financing approvals, higher early settlement and moderation in loan applicants as the positive momentum following the salary adjustment in Jan-26 tapered off. We expect growth to remain muted, given the absence of broad-based civil servant salary adjustments, intense market competition and the weaker credit profiles of new applicants.

- **Asset quality largely stable.** RCE's non-performing financing (NPF) ratio remained sound on a sequential basis at 4.3%, improving from the recent high of 4.8% back in 1QFY26. However, net credit cost rose by 18bps YoY to 118bps (2QFY26: 100bps), likely reflecting higher forward-looking macroeconomic assumptions. While we expect NPF ratio to be broadly stable, we remain cautious that the rising cost of living could prompt civil servants to leave for better-paying opportunities in the private sector, which could lead to higher delinquencies and credit costs.

KEY FINANCIAL SUMMARY

FYE Mar (RM'm)	2025A	2026A	2027F	2028F	2029F	CAGR
Operating Income	267.6	262.7	263.4	271.8	280.0	2.1%
Pre-provision profit	203.0	196.4	196.5	205.2	212.9	2.7%
Pre-tax profit	146.5	172.1	170.0	177.7	184.7	2.4%
Net profit	105.5	126.6	129.2	135.1	140.4	3.5%
Core net profit	124.5	126.6	129.2	135.1	140.4	3.5%
EPS (sen)	7.2	8.6	8.8	9.2	9.6	
P/E (x)	11.2	9.3	9.1	8.7	8.4	
DPS (sen)	6.5	6.5	6.2	6.4	6.7	
Dividend Yield (%)	8.1	8.1	7.7	8.0	8.3	

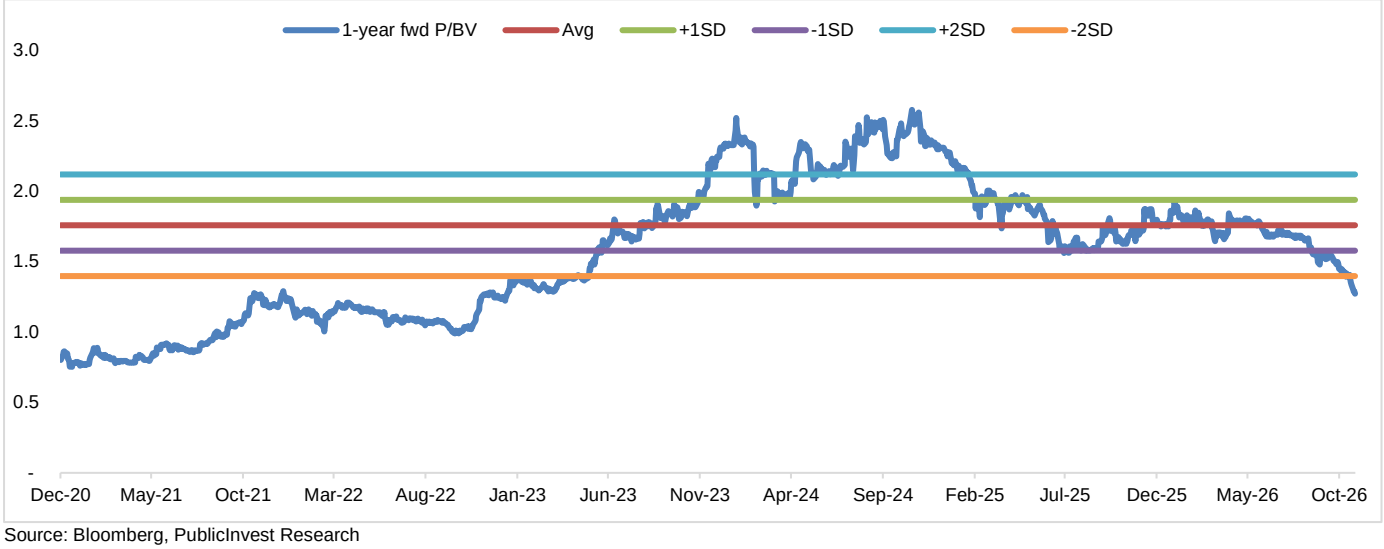
Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE Mar (RM'm)	2Q27	2Q26	1Q27	YoY chg (%)	QoQ chg (%)	YTD FY27	YTD FY26	YoY chg (%)	Comments
Interest income	75.6	73.1	70.9	3.4	6.5	146.5	144.3	1.5	
Interest expense	-21.6	-24.4	-22.3	-11.3	-3.3	-43.9	-48.5	-9.5	
Net interest income	54.0	48.7	48.6	10.7	11.0	102.6	95.7	7.1	
Other non-profit income	15.8	18.4	15.3	-14.1	2.9	31.1	34.9	-10.9	
Operating income	69.7	67.1	64.0	3.9	9.0	133.7	130.7	2.3	
Directors' remuneration and staff cost	-9.8	-10.6	-8.6	-7.4	13.9	-18.5	-18.1	1.7	
Allowances for impairment loss	-6.2	-5.3	-7.5	17.8	-17.1	-13.7	-16.6	-17.6	Higher credit cost due to adjustment in macroeconomic assumptions
Impairment of goodwill on consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Depreciation and amortisation	-1.5	-1.4	-1.3	7.3	14.0	-2.9	-2.7	5.3	
Other expenses	-9.1	-8.4	-6.1	8.7	48.7	-15.2	-16.2	-6.4	
Finance cost	-0.1	0.0	-0.1	53.2	-2.7	-0.1	-0.1	180.2	
Profit before tax	43.0	41.4	40.3	4.0	6.7	83.4	76.9	8.4	
Taxation	-10.8	-12.1	-9.9	-10.4	9.3	-20.7	-21.6	-4.0	
Net profit	**32.2**	**29.3**	**30.4**	**9.9**	**5.9**	**62.6**	**55.3**	**13.2**	Increase in early settlement income amid increasing refinancing activities
Core net profit	**32.2**	**29.3**	**30.4**	**9.9**	**5.9**	**62.6**	**55.3**	**13.2**	
Gross financing receivables (RM'm)	2094.7	2095.3	2103.4	0.0	-0.4				
Allowance for impairment (RM'm)	-135.2	-141.9	-136.6	-4.8	-1.1				
Net financing receivables (RM'm)	1959.5	1953.4	1966.7	0.3	-0.4				
Gross NPF ratio (%)	4.3	4.7	4.3						NPF held firm
Total borrowings (RM'm)	1926.9	2111.2	2045.1	-8.7	-5.8				

Source: Company, PublicInvest Research

Figure 1: 1-year forward P/BV band



Source: Bloomberg, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Mar (RM'm)	2025A	2026A	2027F	2028F	2029F
Interest income	292.4	287.2	291.5	301.6	312.2
Interest expense	-100.3	-93.7	-96.1	-99.0	-102.6
Net Interest Income	**192.0**	**193.5**	**195.4**	**202.7**	**209.6**
Non-interest income	75.5	69.2	68.0	69.2	70.4
Staff costs	-33.9	-34.3	-35.9	-36.1	-37.4
Other operating expenses	-30.5	-31.8	-30.8	-30.3	-30.5
Pre-provision profit	203.0	196.4	196.5	205.2	212.9
Allowance for impairment	-37.5	-24.3	-26.6	-27.5	-28.2
Profit Before Tax	146.5	172.1	170.0	177.7	184.7
Income tax	-41.0	-45.5	-40.8	-42.7	-44.3
Net profit	**105.5**	**126.6**	**129.2**	**135.1**	**140.4**
Core net profit	**124.5**	**126.6**	**129.2**	**135.1**	**140.4**
Growth					
Interest income (%)	0.5	-1.8	1.5	3.5	3.5
Pre-provision Profit (%)	-5.6	-3.3	0.1	4.4	3.8
Net Profit (%)	-23.9	19.9	2.1	4.6	3.9

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Mar (RM'm)	2025A	2026A	2027F	2028F	2029F
Property, Plant and Equipment	4.9	4.4	6.6	7.6	8.6
Financial Receivables	2,090.7	2,113.8	2,134.9	2,156.3	2,177.8
Cash and Deposits with Banks	767.5	763.4	849.8	931.4	1,012.0
Other Assets	123.0	122.3	112.4	111.8	115.6
Total Assets	**2,986.2**	**3,003.8**	**3,103.6**	**3,207.1**	**3,314.0**
Trade and Other Payables	34.3	37.3	37.3	37.3	37.3
Interest-bearing Debt	2,058.0	2,035.9	2,097.0	2,159.9	2,224.7
Other Liabilities	54.3	59.9	59.9	59.9	59.9
Total Liabilities	2,146.6	2,133.1	2,194.2	2,257.1	2,321.9
Shareholders' Equity and Minority	839.5	870.7	909.4	949.9	992.0
Total Equity and Liabilities	**2,986.2**	**3,003.8**	**3,103.6**	**3,207.1**	**3,314.0**

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Mar	2025A	2026A	2027F	2028F	2029F
Book Value Per Share (RM)	0.6	0.6	0.6	0.6	0.7
P/BV	1.9	1.8	1.7	1.6	1.6
EPS (Sen)	7.2	8.6	8.8	9.2	9.6
DPS (Sen)	6.5	6.5	6.2	6.4	6.7
Payout Ratio (%)	90.4	75.4	70.0	70.0	70.0
ROA (%)	3.5	4.2	4.2	4.2	4.2
ROE (%)	12.6	14.5	14.2	14.2	14.2

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 12months.
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