Shariah Compliant

20 November 2026

Financial Services | Non-Bank Financials

# RCE Capital (RCE MK)

## Steady 1HFY27 Amid Selective Growth

**Neutral** (Maintained)

| | |
|---|---|
| Target Price (Return): | MYR0.91 (+12.2%) |
| Price (Market Cap): | MYR0.81 (USD287m) |
| ESG score: | 3.0 (out of 4) |
| Avg. Daily Turnover (MYR/USD): | 0.6m/0.2m |

- **Stay NEUTRAL, new MYR0.91 TP from MYR1.17, 12% upside and c.8% FY27F (Mar) yield.** 1HFY27 results came in broadly in line with our estimates, supported by lower credit costs and rising disbursement on increasing marketing efforts. Nevertheless, management's selective disbursement approach and competition (eg early settlement cases have been rising) means that financing growth could continue to stay muted in the near term.
- **Results review.** RCE Capital's 2QFY27 net profit of MYR32.2m (+6% QoQ, +10% YoY) took the 1HFY27 sum to MYR62.6m (+13% YoY), accounting for 49% of our and Street's FY27 estimates – meeting expectations. The key driver for the QoQ performance improvement was the higher financing disbursements – which also led to elevated fee income – though partially offset by a 27% QoQ jump in opex from increased sales and marketing initiatives (CIR: 29.4% in 2QFY27 vs 25.2% in 1QFY27). 1HFY27 ROE improved 1.2ppts YoY to 14.5% (1HFY26: 13.3%). An interim DPS of 3 sen was declared – below our initial interim DPS assumption of 3.3 sen – representing a 70% payout ratio (1HFY26: 3 sen DPS, 80% payout).
- **Results highlights.** YoY, the 2QFY27 financing income edged up 3% on higher early settlement earnings arising from increased refinancing activities (either from RCE or other lenders), while higher disbursements cushioned the runoff to keep financing broadly flat. Combined with an 11% YoY drop in financing expense following *sukuk* redemptions, net financing income grew 11% YoY. Non-financing income continued to decline due to lower payroll collection processing and administration fees following an accounting reclassification, yet it was fully netted off by a corresponding drop in related opex. Meanwhile, 1HFY27 credit costs improved by 28bps to 1.30% (1HFY26: 1.58%) as impairment charges fell 18% YoY on easing early retirement and resignation trends. Overall, management is still being selective on RCE's financing disbursement strategy, leading us to maintain our expectation of soft financing growth in the near term.
- **We trim our FY27F-29F earnings by 3%, 5%, and 5%,** factoring in flat FY27 financing growth and higher opex as management continues to step-up marketing spend to drive disbursements, which more than offset our lower FY27F credit costs (reflecting subsiding borrowers' attrition). Post our earnings revision, FY27 total DPS projection has been lowered to 6.4 sen (from 6.6 sen) with an unchanged payout ratio of 75%. This implies a higher 4QFY27 final DPS of 3.4 sen (compared to this quarter). We cut our TP to MYR0.91, incorporating an unchanged 0% ESG premium/discount as RCE's ESG score remains on par with the country median.
- **Key downside risks include:** i) Softer-than-expected financing growth, ii) higher-than-expected credit costs, and iii) lower-than-expected net financing margin. The converse represents upside risks.

| Forecasts and Valuation | Mar-25 | Mar-26 | Mar-27F | Mar-28F | Mar-29F |
|---|---|---|---|---|---|
| Reported net Profit (MYRm) | 106 | 127 | 125 | 127 | 131 |
| Net Profit Growth (%) | (23.9) | 19.9 | (1.6) | 2.0 | 3.0 |
| Recurring net profit (MYRm) | 119 | 127 | 125 | 127 | 131 |
| CoreEPS (MYR) | 0.08 | 0.09 | 0.08 | 0.09 | 0.09 |
| BVPS (MYR) | 0.57 | 0.59 | 0.60 | 0.62 | 0.64 |
| DPS (MYR) | 0.06 | 0.06 | 0.06 | 0.06 | 0.07 |
| Recurring P/E (x) | 9.9 | 9.3 | 9.5 | 9.3 | 9.0 |
| P/B (x) | 1.4 | 1.4 | 1.3 | 1.3 | 1.3 |
| Dividend Yield (%) | 8.1 | 8.1 | 7.5 | 8.1 | 8.3 |
| Return on average equity (%) | 12.6 | 14.8 | 14.2 | 14.1 | 14.1 |

*Source: Company data, RHB*

**Analysts**



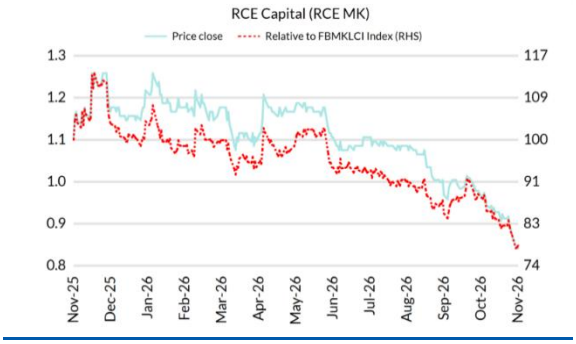
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**Share Performance (%)**

| | YTD | 1m | 3m | 6m | 12m |
|---|---|---|---|---|---|
| Absolute | (28.1) | (14.4) | (24.1) | (30.0) | (28.8) |
| Relative | (21.3) | (12.5) | (14.5) | (20.7) | (25.2) |
| 52-wk Price low/high (MYR) | | | | | 0.81–1.23 |




*Source: Bloomberg*

**Overall ESG Score: 3.0 (out of 4)**

**E Score: 2.7 (GOOD)**
**S Score: 3.0 (GOOD)**
**G Score: 3.7 (EXCELLENT)**
Please refer to the ESG analysis on the next page

# Emissions And ESG

**Trend analysis**

RCE's total emissions increased by 9% YoY in FY26 due to an increase in headcount during the year. The total operational emissions (Scopes 1 & 2) declined marginally by 2% YoY.

| Emissions (tCO2e) | Mar-24 | Mar-25 | Mar-26 | Mar-27 |
|---|---|---|---|---|
| Scope 1 | 26 | 28 | 25 | na |
| Scope 2 | 191 | 186 | 185 | na |
| Scope 3 | 377 | 369 | 426 | na |
| Total emissions | 594 | 583 | 636 | 0 |

*Source: Company data, RHB*

# Latest ESG-Related Developments

**FY26 emissions:** RCE posted total Scope 1 and Scope 2 greenhouse gas (GHG) emissions of 210.2tCO2e in FY26, a 2% YoY decline – the savings were largely attributable to its continuous operational controls and energy management practices.

**Emphasis on employee development:** RCE's commitment to empowering human capital resulted in a total of 5,587.7 training hours clocked by its workforce in FY26, highlighting a solid 18.5% increase from the 4,714.3 total training hours recorded in FY25.

# ESG Unbundled

**Overall ESG Score: 3.0 (out of 4)**

**Last Updated: 3 August 2026**

**E Score: 2.7 (GOOD)**

RCE's GHG emissions (on both an absolute and per employee basis) demonstrated an increase in FY26, mainly attributed to the increase in headcount which reflected changes in commuting patterns.

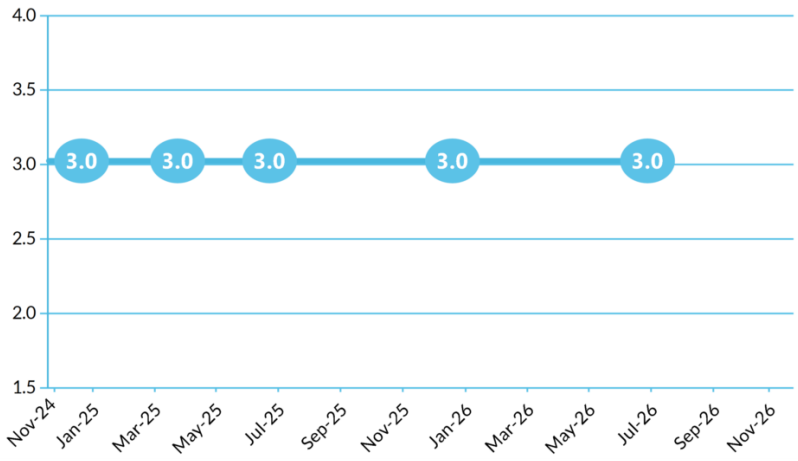
**S Score: 3.0 (GOOD)**

RCE places strong focus on employee development - its employees enjoyed an average of 24 training hours in FY26, up from 22 hours in FY25 due to a higher number of employees involved in targeted capability-building initiatives. greater focus on on-the-job learning. The group's employee turnover rate in FY26 was at 13% (FY25: 8%), owing partly to its competitive job market conditions, evolving employee expectations, and personal circumstances.

**G Score: 3.7 (EXCELLENT)**

Four out of seven members of the board of directors are independent directors. RCE's sustainability agenda is determined by a dedicated sustainability management committee, which in turn is supported by a sustainability working committee.

# ESG Rating History




*Source: RHB*

# Financial Exhibits

**Asia**
Malaysia
Financial Services
**RCE Capital**
RCE MK
Neutral

**Valuation basis**

Our GGM assumptions are:
i. CoE of 10.7%;
ii. ROE of 14.0%;
iii. 3.5% long-term growth rate.

**Key drivers**

Our FY26 forecasts are most sensitive to changes in:
i. Growth in receivables;
ii. Impairment allowances;
iii. Financing margins.

**Key risks**

The downside risks include:
i. Softer-than-expected financing growth;
ii. Higher-than-expected credit costs
iii. Lower-than-expected net financing margin.

The converse represents upside risk.

**Company profile**

RCE provides general financing services to civil servants – repayments are done via direct salary deductions. Its wholly owned EXP Payment unit offers payroll collection management services for government departments under the purview of the Accountant General's Department.

| Financial summary (MYR) | Mar-25 | Mar-26 | Mar-27F | Mar-28F | Mar-29F |
|---|---|---|---|---|---|
| EPS | 0.07 | 0.09 | 0.08 | 0.09 | 0.09 |
| Recurring EPS | 0.08 | 0.09 | 0.08 | 0.09 | 0.09 |
| DPS | 0.06 | 0.06 | 0.06 | 0.06 | 0.07 |
| BVPS | 0.57 | 0.59 | 0.60 | 0.62 | 0.64 |

| Valuation metrics | Mar-25 | Mar-26 | Mar-27F | Mar-28F | Mar-29F |
|---|---|---|---|---|---|
| Recurring P/E (x) | 9.91 | 9.34 | 9.49 | 9.30 | 9.03 |
| P/B (x) | 1.4 | 1.4 | 1.3 | 1.3 | 1.3 |
| Dividend Yield (%) | 8.1 | 8.1 | 7.5 | 8.1 | 8.3 |

| Income statement (MYRm) | Mar-25 | Mar-26 | Mar-27F | Mar-28F | Mar-29F |
|---|---|---|---|---|---|
| Interest income | 292 | 287 | 290 | 297 | 310 |
| Interest expense | (101) | (94) | (96) | (100) | (106) |
| **Net interest income** | **192** | **193** | **194** | **196** | **204** |
| Non interest income | 76 | 69 | 78 | 84 | 85 |
| **Total operating income** | **267** | **263** | **273** | **280** | **289** |
| Overheads | (64) | (66) | (75) | (79) | (84) |
| **Pre-provision operating profit** | **203** | **196** | **198** | **201** | **205** |
| Loan impairment allowances | (38) | (24) | (29) | (28) | (27) |
| Other impairment allowances | na | na | na | na | na |
| Income from associates | na | na | na | na | na |
| **Pre-tax profit** | **147** | **172** | **169** | **173** | **178** |
| Taxation | (41) | (45) | (45) | (46) | (47) |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| **Reported net profit** | **106** | **127** | **125** | **127** | **131** |
| **Recurring net profit** | **119** | **127** | **125** | **127** | **131** |

| Profitability ratios | Mar-25 | Mar-26 | Mar-27F | Mar-28F | Mar-29F |
|---|---|---|---|---|---|
| Return on average assets (%) | 3.5 | 4.2 | 4.1 | 4.0 | 4.0 |
| Return on average equity (%) | 12.6 | 14.8 | 14.2 | 14.1 | 14.1 |
| Return on IEAs (%) | 10.3 | 10.2 | 10.2 | 10.2 | 10.3 |
| Cost of funds (%) | 4.8 | 4.6 | 4.6 | 4.6 | 4.6 |
| Net interest spread (%) | 5.5 | 5.7 | 5.6 | 5.6 | 5.7 |
| Net interest margin (%) | 6.8 | 6.9 | 6.8 | 6.8 | 6.8 |
| Non-interest income / total income (%) | 28.3 | 26.4 | 28.7 | 29.9 | 29.4 |
| Cost to income ratio (%) | 24.1 | 25.2 | 27.5 | 28.4 | 29.2 |
| Credit cost (bps) | 178.97 | 116 | 135.00 | 130.00 | 120.00 |

| Balance sheet (MYRm) | Mar-25 | Mar-26 | Mar-27F | Mar-28F | Mar-29F |
|---|---|---|---|---|---|
| Total gross loans | 2,091 | 2,114 | 2,114 | 2,177 | 2,286 |
| Other interest earning assets | 680 | 726 | 746 | 767 | 789 |
| Total gross IEAs | 2,771 | 2,839 | 2,860 | 2,944 | 3,075 |
| Total provisions | (141) | (136) | (147) | (157) | (166) |
| Net loans to customers | 1,950 | 1,977 | 1,967 | 2,020 | 2,120 |
| Total net IEAs | 2,631 | 2,703 | 2,713 | 2,787 | 2,909 |
| Total non-IEAs | 356 | 301 | 360 | 422 | 441 |
| Total assets | 2,986 | 3,004 | 3,072 | 3,209 | 3,351 |
| Customer deposits | 0 | 0 | 0 | 0 | 0 |
| Other interest-bearing liabilities | 2,058 | 2,036 | 2,138 | 2,245 | 2,357 |
| Total IBLs | 2,058 | 2,036 | 2,138 | 2,245 | 2,357 |
| Total non-IBLs | 89 | 97 | 48 | 49 | 49 |
| Total liabilities | 2,147 | 2,133 | 2,186 | 2,293 | 2,406 |
| Share capital | 205 | 205 | 202 | 202 | 202 |
| Shareholders' equity | 840 | 871 | 887 | 916 | 944 |
| Minority interests | na | na | na | na | na |

| Assets quality and capital | Mar-25 | Mar-26 | Mar-27F | Mar-28F | Mar-29F |
|---|---|---|---|---|---|
| Reported NPLs / gross cust loans (%) | 4.6 | 4.3 | 3.8 | 3.8 | 3.8 |
| Total provisions / reported NPLs (%) | 147.2 | 151.9 | 183.0 | 189.7 | 190.7 |

*Source: Company data, RHB*

# Results At a Glance

**Figure 1: Summary of 2QFY27 and 1HFY27 results**

| FYE Mar (MYRm) | 2Q FY26 | 1Q FY27 | 2Q FY27 | QoQ (%) | YoY (%) | 1HFY26 | 1HFY27 | YoY (%) | Comments |
|---|---|---|---|---|---|---|---|---|---|
| **Net financing income** | **48.7** | **48.5** | **53.9** | ***11*** | ***11*** | **95.6** | **102.4** | ***7*** | |
| Financing income | 73.1 | 70.9 | 75.6 | *7* | *3* | 144.3 | 146.5 | *2* | |
| Financing expense | (24.4) | (22.4) | (21.7) | *(3)* | *(11)* | (48.6) | (44.1) | *(9)* | |
| Non-financing income | **18.4** | **15.3** | **15.8** | ***3*** | ***(14)*** | **34.9** | **31.1** | ***(11)*** | YoY decline was driven by lower processing and administration of payroll collection fee income arising from changes in accounting classification. |
| *Non-FI/Total income (%)* | *27.4* | *24.0* | *22.7* | | | *26.8* | *23.3* | | |
| **Operating Income** | **67.1** | **63.9** | **69.7** | *9* | *4* | **130.6** | **133.6** | *2* | |
| Overhead expenses | (20.4) | (16.1) | (20.5) | *27* | *0* | (37.1) | (36.5) | *(2)* | QoQ higher opex from sales and marketing initiatives to boost disbursement.<br>1HFY27 opex was cushioned by the absence of ESOS expenses in 2QFY27 (vs c.MYR3.5m incurred in 2QFY26), though these charges are expected to be recognised in the next quarter. |
| *CIR (%)* | *30.4* | *25.2* | *29.4* | | | *28.4* | *27.4* | | |
| **PIOP** | **46.6** | **47.8** | **49.2** | ***3*** | ***6*** | **93.5** | **97.0** | ***4*** | |
| Impairment allowances on financing | (5.3) | (7.5) | (6.2) | *(17)* | *18* | (16.6) | (13.7) | *(18)* | QoQ improved thanks to easing early retirement and resignation. |
| *Ann. credit costs (bps)* | *100* | *142* | *118* | | | *158* | *130* | | |
| **PBT** | **41.4** | **40.3** | **43.0** | *7* | *4* | **76.9** | **83.4** | *8* | |
| Taxation | (12.1) | (9.9) | (10.8) | | | (21.6) | (20.7) | | |
| *ETR (%)* | *29.2* | *24.6* | *25.2* | | | *28.1* | *24.9* | | |
| **Net Profit** | **29.3** | **30.4** | **32.2** | *6* | *10* | **55.3** | **62.6** | *13* | At 49% of our and consensus FY27 estimates. |
| **Other key data and ratios** | | | | | | | | | |
| Gross financing | 2,095.3 | 2,103.4 | 2,094.7 | *(0)* | *(0)* | | | | Flat due to increasing early settlement from refinancing activities but was offset by higher disbursements. |
| Total borrowings | 2,111.2 | 2,045.1 | 1,926.9 | *(6)* | *(9)* | | | | |
| Total assets | 3,042.3 | 2,986.1 | 2,912.3 | *(2)* | *(4)* | | | | |
| Shareholders' funds | 846.9 | 847.8 | 880.0 | *4* | *4* | | | | |
| ROAA (%) | 3.8% | 4.1% | 4.4% | | | 3.6% | 4.2% | | |
| ROAE (%) | 14.1% | 14.2% | 14.9% | | | 13.3% | 14.5% | | |

*Source: Company data, RHB*

## Earnings forecasts

We cut our FY27F-29F PATMI by 3%, 5%, and 5% to factor in:

i. Flat FY27F financing (from +3% YoY) due to management's more cautious disbursement approach and higher refinancing activities;

ii. Higher opex, reflecting management's continued effort in sales and marketing to boost disbursement;

iii. Lower credit cost assumption in FY27 of 135bps from 140bps, driven by easing early retirements and resignation trends during the quarter. The assumptions for FY28-29F remain unchanged.

**Figure 2: Revisions to earnings forecasts**

| | Net profit (MYRm) | | | EPS (MYR) | | | DPS (MYR) | | |
|---|---|---|---|---|---|---|---|---|---|
| FYE Mar | Previous | Revised | % Chg | Previous | Revised | % Chg | Previous | Revised | % Chg |
| 2027F | 128.5 | 124.6 | -3.0% | 0.09 | 0.08 | -3.0% | 0.07 | 0.06 | -3.0% |
| 2028F | 134.2 | 127.0 | -5.4% | 0.09 | 0.09 | -5.4% | 0.07 | 0.06 | -5.4% |
| 2029F | 138.2 | 130.9 | -5.3% | 0.09 | 0.09 | -5.3% | 0.07 | 0.07 | -5.3% |

*Source: Company data, RHB*

## Valuation and TP

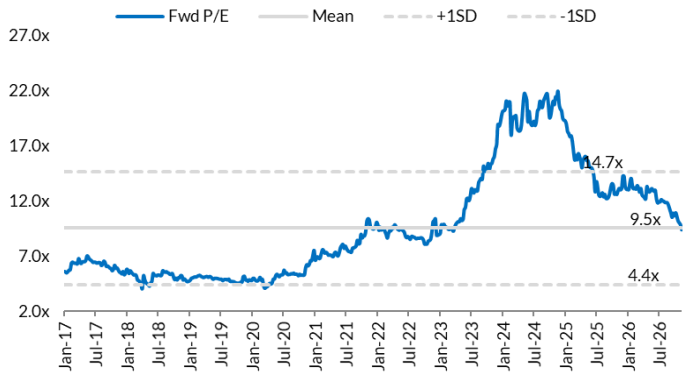
Our TP has been lowered to MYR0.91 from MYR1.17 due to: i) The earnings revisions (resulting to a revised ROE assumption of 14% from 15.2% and ii) higher equity risk premium of 6.9% from 5.8% previously to reflect the risks associated with a more challenging operating environment, cushioned by a roll-forward in valuations to CY27.

**Figure 3: GGM valuation**

| | | | |
|---|---|---|---|
| **Cost of equity (COE) computation:** | | Sustainable ROE (%) | 14.0 |
| Risk free rate (%) | 3.8 | COE (%) | 10.7 |
| Equity premium (%) | 6.9 | Long-term growth (g) | 3.5 |
| Beta (x) | 1.0 | Implied P/BV (x) | 1.47 |
| Cost of equity - CAPM (%) | 10.7 | BVPS – CY27F | MYR0.62 |
| | | Intrinsic value | MYR0.91 |
| ESG premium/(discount) (%) | 0.0 | ESG premium/(discount) | MYR0.00 |
| | | **TP (rounded)** | **MYR0.91** |

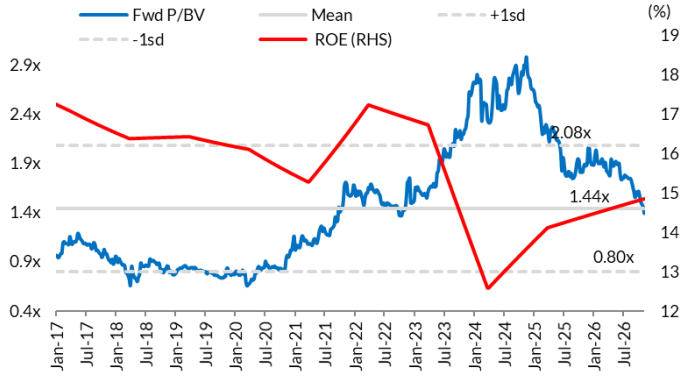
*Source: Company data, RHB**Error! Bookmark not defined.***

**Figure 4: RCE's 12-month forward P/E**




*Source: Bloomberg, RHB*

**Figure 5: RCE's 12-month forward P/BV vs ROE**




*Source: Bloomberg, RHB*

# Recommendation Chart




*Source: RHB, Bloomberg*

| Date | Recommendation | Target Price | Price |
|---|---|---|---|
| 2026-08-12 | Neutral | 1.17 | 1.06 |
| 2026-05-28 | Neutral | 1.25 | 1.14 |
| 2025-11-19 | Neutral | 1.10 | 1.13 |
| 2025-08-14 | Neutral | 1.15 | 1.05 |
| 2025-05-23 | Neutral | 1.25 | 1.27 |
| 2025-02-25 | Neutral | 1.25 | 1.27 |
| 2024-11-21 | Sell | 1.25 | 1.70 |
| 2024-05-27 | Sell | 2.40 | 1.45 |
| 2024-02-08 | Sell | 2.40 | 1.57 |
| 2023-11-23 | Sell | 2.30 | 1.34 |
| 2023-08-15 | Neutral | 2.20 | 1.14 |
| 2023-05-24 | Neutral | 1.95 | 1.00 |
| 2023-02-15 | Neutral | 1.95 | 0.93 |
| 2022-08-12 | Buy | 1.92 | 0.82 |
| 2022-05-31 | Buy | 2.00 | 0.88 |

*Source: RHB, Bloomberg*

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| | |
|---|---|
| **Buy:** | Share price may exceed 10% over the next 12 months |
| **Trading Buy:** | Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain |
| **Neutral:** | Share price may fall within the range of +/- 10% over the next 12 months |
| **Take Profit:** | Target price has been attained. Look to accumulate at lower levels |
| **Sell:** | Share price may fall by more than 10% over the next 12 months |
| **Not Rated:** | Stock is not within regular research coverage |

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