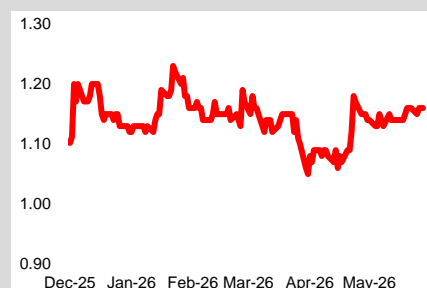


DESCRIPTION

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

12-month Target Price	RM1.25
Current Price	RM1.16
Expected Return	7.7%
Previous Target Price	RM1.28

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

SHARE PRICE CHART


52 Week Range (RM)	1.02-1.29
3-Month Average Vol ('000)	462.0

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-0.9	-2.5	6.2
Relative Returns	2.7	0.2	-3.1

KEY STOCK DATA

Market Capitalisation (RMm)	1,702.9
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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Muted Financing Receivables Growth

RCE's 4QFY26 headline net profit doubled to RM34.7m, on the absence of a one-off RM19m charge for goodwill impairment. However, after stripping out the one-off impairment charge, RCE's core net profit declined by 3.5% YoY. Financing receivables rose 1.2% sequentially to RM2.11bn, driven by civil servant salary revision effective Jan 2026. Full-year FY26 core net profit of RM126.6m (+1.5% YoY), were in-line with expectations, accounting for 105% and 101% of our and consensus estimates. We adjust our earnings forecast for FY27-28F lower by an average of 2%, as we reduce our financing growth and credit cost assumption. As a result, our DDM-derived TP is lower to RM1.25 and given the limited upside potential, we downgrade our call on RCE to **Neutral**. On a side note, RCE declared a second interim dividend of 3.5sen, bringing the full-year dividend declared to 6.5sen, translating to an attractive dividend yield of 5.6%.

- § **Results review.** 4QFY26 revenue fell 14.3% YoY, dragged by lower early settlement and fee income. RCE's core net profit declined by a lower quantum 3.5% YoY, mainly attributable to a drop in impairment allowance and financing expense (-14.3% YoY), thanks to lower funding cost following the OPR cut back in July 2025.
- § **Expecting slower financing receivables growth.** RCE's financing receivables rose 1.2% QoQ to RM2.11bn post-civil servants' salary adjustment back in Jan 2026. We lower our financing growth assumption from 2% pa to 1% pa, as we do not foresee the growth momentum to continue given the absence of salary hike, more intensive competition as well as weaker credit worthiness among new applicants.
- § **Non-performing financing (NPF) continued to improve.** While financing impairment increased by 62% QoQ to RM5m, we gather that it was mainly due to higher loan disbursements recorded. We lower our credit cost assumption for RCE as we believe that the operating environment for RCE has improved, with self-declared bankruptcy rate and early retirement cases among the civil service seemed to have tapered off. Non-performing financing (NPF) continued to ease sequentially to 4.3%.

KEY FINANCIAL SUMMARY

FYE Mar (RM'm)	2025A	2026A	2027F	2028F	2029F	CAGR
Operating Income	267.6	267.3	267.8	276.4	284.8	2.1%
Pre-provision profit	203.0	201.0	197.8	206.9	214.0	2.1%
Pre-tax profit	146.5	172.1	171.2	179.4	185.8	2.6%
Net profit	105.5	126.6	130.1	136.4	141.2	3.7%
Core net profit	124.5	126.6	130.1	136.4	141.2	3.7%
EPS (sen)	7.2	8.6	8.9	9.3	9.6	
P/E (x)	16.1	13.5	13.1	12.5	12.1	
DPS (sen)	6.5	6.5	6.2	6.5	6.7	
Dividend Yield (%)	5.6	5.6	5.3	5.6	5.8	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

<u>FYE Mar (RM'm)</u>	<u>4Q26</u>	<u>4Q25</u>	<u>3Q26</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	70.4	76.6	72.5	-8.1	-2.9	287.2	292.4	-1.8	
Interest expense	-21.3	-24.9	-23.8	-14.3	-10.4	-93.7	-100.3	-6.6	
Net interest income	49.1	51.7	48.7	-5.1	0.8	193.5	192.0	0.7	
Other non-profit income	17.3	25.0	17.0	-31.0	1.6	69.2	75.5	-8.3	
Operating income	66.3	76.7	65.7	-13.5	1.0	262.7	267.6	-1.8	YoY decline due to lower early settlement and fee income
Directors' remuneration and staff cost	-8.4	-7.6	-7.7	11.0	8.8	-34.3	-33.9	1.4	
Allowances for impairment loss	-4.8	-15.0	-3.0	-68.0	62.3	-24.3	-37.5	-35.1	Improvement in credit cost as early retirements and bankruptcy cases continue to taper off
Impairment of goodwill on consolidation	0.0	-19.0	0.0	-100.0	0.0	0.0	-19.0	-100.0	
Depreciation and amortisation	-1.3	-1.0	-1.3	27.0	-6.9	-5.3	-4.1	30.7	
Other expenses	-5.2	-6.6	-5.0	-20.5	4.4	-26.5	-26.1	1.3	
Finance cost	0.0	0.0	0.0	13.9	-8.9	-0.1	-0.2	-42.0	
Profit before tax	46.6	27.5	48.6	69.3	-4.1	172.1	146.8	17.2	
Taxation	-11.9	-10.6	-12.0	12.6	-0.1	-45.5	-41.0	11.0	
Net profit	34.7	16.9	36.6	104.9	-5.4	126.6	105.8	19.7	
Core net profit	34.7	35.9	36.6	-3.5	-5.4	126.6	124.8	1.5	After adjusting for non-core goodwill impairment
Gross financing receivables (RM'm)	2113.8	2090.7	2088.3	1.1	1.2				
Allowance for impairment (RM'm)	-136.5	-140.7	-138.1	-3.0	-1.2				
Net financing receivables (RM'm)	1977.3	1950.1	1950.1	1.4	1.4				
Gross NPF ratio (%)	4.3	4.6	4.4						NPF continues to decline
Total borrowings (RM'm)	2035.9	2058.0	2110.5	-1.1	-3.5				

Source: Company, 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	301.7	312.3
Interest expense	-100.3	-93.7	-96.1	-99.0	-102.6
Net Interest Income	192.0	193.5	195.4	202.7	209.7
Non-interest income	75.5	73.8	72.4	73.7	75.1
Staff costs	-33.9	-34.3	-36.4	-36.6	-37.9
Other operating expenses	-30.5	-31.8	-33.5	-32.7	-33.7
Pre-provision profit	203.0	201.0	197.8	206.9	214.0
Allowance for impairment	-37.5	-24.3	-26.6	-27.5	-28.2
Profit Before Tax	146.5	172.1	171.2	179.4	185.8
Income tax	-41.0	-45.5	-41.1	-43.1	-44.6
Net profit	105.5	126.6	130.1	136.4	141.2
Core net profit	124.5	126.6	130.1	136.4	141.2
Growth					
Interest income (%)	0.5	-1.8	1.5	3.5	3.5
Pre-provision Profit (%)	-5.6	-1.0	-1.6	4.6	3.4
Net Profit (%)	-23.9	19.9	2.8	4.8	3.6

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	2090.7	2113.8	2134.9	2156.3	2177.8
Cash and Deposits with Banks	767.5	763.4	850.0	932.1	1012.9
Other Assets	123.0	122.3	112.4	111.8	115.6
Total Assets	2986.2	3003.8	3103.9	3207.7	3314.9
Trade and Other Payables	34.3	37.3	37.3	37.3	37.3
Interest-bearing Debt	2058.0	2035.9	2097.0	2159.9	2224.7
Other Liabilities	54.3	59.9	59.9	59.9	59.9
Total Liabilities	2146.6	2133.1	2194.2	2257.1	2321.9
Shareholders' Equity and Minority	839.5	870.7	909.7	950.6	993.0
Total Equity and Liabilities	2986.2	3003.8	3103.9	3207.7	3314.9

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	2.0	2.0	1.9	1.8	1.7
EPS (Sen)	7.2	8.6	8.9	9.3	9.6
DPS (Sen)	6.5	6.5	6.2	6.5	6.7
Payout Ratio (%)	90.4	75.4	70.0	70.0	70.0
ROA (%)	3.5	4.2	4.2	4.3	4.3
ROE (%)	12.6	14.5	14.3	14.3	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 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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Published and printed by:
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