

28 May 2026

Financial Services | Banks

## RCE Capital (RCE MK)

## Neutral (Maintained)

### FY26 Earnings Meet Estimates Despite QoQ Softening

Target Price (Return): MYR1.25 (7.8%)  
 Price (Market Cap): MYR1.16 (USD429m)  
 ESG score: 3.0 (out of 4)  
 Avg Daily Turnover (MYR/USD) 0.50m/0.13m

- **Stay NEUTRAL with new MYR1.25 TP from MYR1.10, c.8% upside and c.6% FY27F (Mar) yield.** FY26 results met our and consensus expectation as lower financing impairment helped cushion the softer revenue. While we note an uptick in financing impairments QoQ, we suspect this was on a pickup in financing growth during the quarter rather than credit quality. We await further clarity from management with respect to financing demand and underlying asset quality trends amid the ongoing Middle East conflict.
- **A sequentially softer but decent finish to FY26**, with 4QFY26 net profit of MYR34.7m (+108% YoY, -5% QoQ) lifting full-year FY26 earnings to MYR126.6m (+20% YoY). This formed 103% and 101% of our and Street's estimates, with the slight positive variance being the lower-than-expected financing impairment. FY26 ROE stood at 14.8%, a 2.2ppts increase from the 12.6% achieved in FY25. A second interim DPS of 3.5 sen was declared, which brought the full-year total DPS to 6.5 sen, translating to a payout ratio of 75% (FY25: 6.5 sen, 91% payout).
- **Results highlight.** The strong YoY improvement was attributable to the absence of a one-off goodwill impairment of MYR19m related to RCE Capital's EXP Payment subsidiary that was recognised in 4QFY25. Excluding this, we estimate 4QFY26 PATMI was down 3% YoY due to lower operating income – weighed down by lower early settlement income and weaker fee-based income collected. Nevertheless, the softer revenue performance was partly cushioned by improved credit cost, which eased to 91bps compared with 290bps in 4QFY25, although this was higher than the 57bps recorded in 3QFY26.
- **Although the financing impairments rose QoQ**, we believe this reflected a pickup in financing growth during the quarter (4QFY26: +1% QoQ vs 3QFY26: flat QoQ), ie expected credit loss or ECL for new financing disbursed rather than a deterioration in asset quality.
- **We raise our FY27F-28F earnings by 3%** to reflect improved credit cost assumptions on the back of the declining bankruptcy rates in recent quarters. Together – post updating for the full-year results – we upped our TP to MYR1.25. Our TP includes an unchanged 0% ESG premium/discount given that RCE's score is on par with the country median.
- **Key downside risks** include: i) Softer-than-expected financing growth and ii) lower-than-expected net financing margins. The converse represents the upside risks.

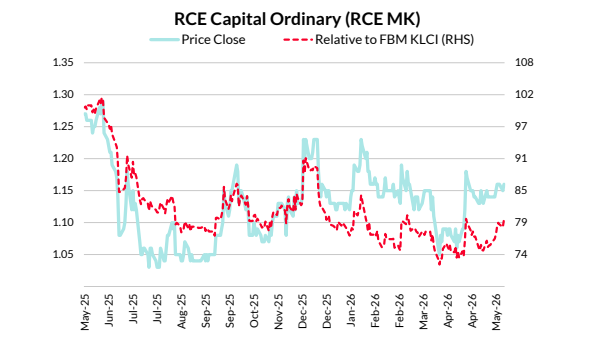
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	3.6	(0.9)	(2.5)	3.6	(9.4)
Relative	2.5	0.3	(0.1)	(1.0)	(20.1)
52-wk Price low/high (MYR)					1.03 – 1.29



Source: Bloomberg

Forecasts and Valuation	Mar-25	Mar-26	Mar-27F	Mar-28F	Mar-29F
Reported net profit (MYRm)	111	127	135	144	148
Net profit growth (%)	(20.3)	14.5	6.8	6.2	3.3
Recurring net profit (MYRm)	124	127	135	144	148
Recurring EPS (MYR)	0.08	0.09	0.09	0.10	0.10
BVPS (MYR)	0.57	0.59	0.61	0.63	0.65
DPS (MYR)	0.06	0.06	0.07	0.07	0.08
Recurring P/E (x)	13.69	13.45	12.60	11.87	11.49
P/B (x)	2.03	1.96	1.91	1.84	1.78
Dividend Yield (%)	5.6	5.6	6.0	6.3	6.5
Return on average equity (%)	13.2	14.8	15.3	15.8	15.8

Source: Company data, RHB

**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 showed a marginal decline YoY in FY25, owing to the group's initiatives to improve operational efficiencies and energy use.

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

Source: Company data, RHB

## Latest ESG-Related Developments

**FY25 emissions:** RCE posted total Scope 1, 2, and 3 greenhouse gas emissions of 583tCO2e in FY25, a 2% YoY decline - the savings were largely attributable to the group's internal initiatives to improve operational efficiencies and energy use.

**Emphasis on employee development:** RCE's employees enjoyed an average of 22 training hours per employee in FY25, a slight drop from 24 hours in FY24, on topics such as leadership development, regulatory and technical skills, and special interest topics.

## ESG Unbundled

Overall ESG Score: 3.0 (out of 4)

Last Updated: 14 August 2025

E Score: 2.7 (GOOD)

RCE's greenhouse gas emissions (on both an absolute and per employee basis) demonstrated a decrease in FY25 (Mar) underpinned by the group's proactive climate change management strategies. Other environmental indicators, including energy use and waste diverted from disposal, also showed YoY improvements.

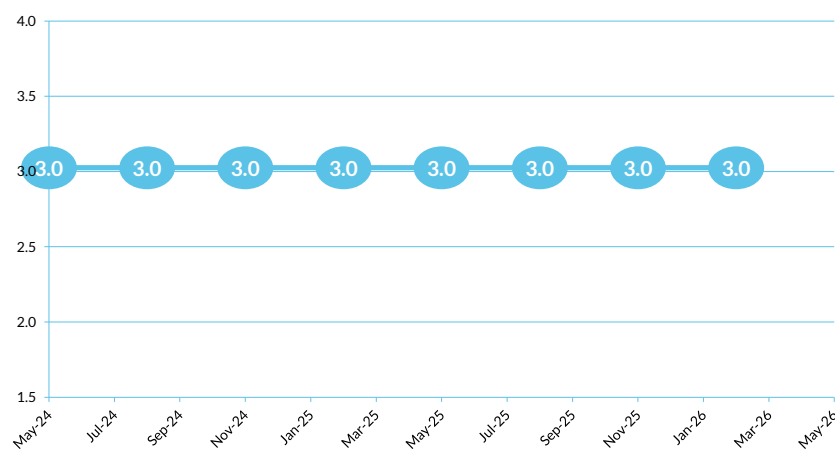
S Score: 3.0 (GOOD)

RCE places strong focus on employee development - its employees enjoyed an average of 22 training hours in FY25, a slight decline from 24 hours in FY24 due to a greater focus on on-the-job learning. The group's employee turnover rate in FY25 was a low 8% (FY24: 13%), owing partly to its competitive compensation packages (which includes an employees' share scheme for select employees).

G Score: 3.7 (EXCELLENT)

Five out of nine 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

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Mar-25</b>	<b>Mar-26</b>	<b>Mar-27F</b>	<b>Mar-28F</b>	<b>Mar-29F</b>
Malaysia	EPS	0.08	0.09	0.09	0.10	0.10
Financial Services	Recurring EPS	0.08	0.09	0.09	0.10	0.10
<b>RCE Capital</b>	DPS	0.06	0.06	0.07	0.07	0.08
RCE MK	BVPS	0.57	0.59	0.61	0.63	0.65
Neutral						
	<b>Valuation metrics</b>	<b>Mar-25</b>	<b>Mar-26</b>	<b>Mar-27F</b>	<b>Mar-28F</b>	<b>Mar-29F</b>
<b>Valuation basis</b>	Recurring P/E (x)	13.69	13.45	12.60	11.87	11.49
Our GGM assumptions are:	P/B (x)	2.0	2.0	1.9	1.8	1.8
i. CoE of 9.3%;	Dividend Yield (%)	5.6	5.6	6.0	6.3	6.5
ii. ROE of 15.3%;						
iii. 3.5% long-term growth rate.						
<b>Key drivers</b>	<b>Income statement (MYRm)</b>	<b>Mar-25</b>	<b>Mar-26</b>	<b>Mar-27F</b>	<b>Mar-28F</b>	<b>Mar-29F</b>
Our forecasts are most sensitive to changes in:	Interest income	292	287	296	311	327
i. Growth in receivables;	Interest expense	(101)	(94)	(96)	(100)	(106)
ii. Impairment allowances;	<b>Net interest income</b>	<b>192</b>	<b>193</b>	<b>200</b>	<b>211</b>	<b>221</b>
iii. Financing margins.	Non interest income	76	69	79	86	88
	<b>Total operating income</b>	<b>267</b>	<b>263</b>	<b>280</b>	<b>297</b>	<b>309</b>
	Overheads	(64)	(66)	(72)	(77)	(82)
	<b>Pre-provision operating profit</b>	<b>203</b>	<b>196</b>	<b>208</b>	<b>220</b>	<b>228</b>
	Loan impairment allowances	(38)	(24)	(24)	(25)	(26)
	Other exceptional items	(14)				
	<b>Pre-tax profit</b>	<b>152</b>	<b>172</b>	<b>184</b>	<b>195</b>	<b>202</b>
	Taxation	(41)	(45)	(49)	(52)	(53)
	<b>Reported net profit</b>	<b>111</b>	<b>127</b>	<b>135</b>	<b>144</b>	<b>148</b>
	<b>Recurring net profit</b>	<b>124</b>	<b>127</b>	<b>135</b>	<b>144</b>	<b>148</b>
<b>Key risks</b>	<b>Profitability ratios</b>	<b>Mar-25</b>	<b>Mar-26</b>	<b>Mar-27F</b>	<b>Mar-28F</b>	<b>Mar-29F</b>
The upside risks include:	Return on average assets (%)	3.7	4.2	4.4	4.6	4.5
i. Softer-than-expected financing growth;	Return on average equity (%)	13.2	14.8	15.3	15.8	15.8
ii. Higher-than-expected credit costs;	Return on IEAs (%)	10.3	10.2	10.2	10.3	10.3
iii. Lower-than-expected net financing margin.	Cost of funds (%)	4.8	4.6	4.6	4.6	4.6
	Net interest spread (%)	5.5	5.7	5.6	5.7	5.7
	Net interest margin (%)	6.8	6.9	6.9	6.9	7.0
	Non-interest income / total income (%)	28.3	26.4	28.4	29.0	28.4
	Cost to income ratio (%)	24.1	25.2	25.7	25.8	26.4
	Credit cost (bps)	179	116	110	110	110
The converse represents the upside risks.	<b>Balance sheet (MYRm)</b>	<b>Mar-25</b>	<b>Mar-26</b>	<b>Mar-27F</b>	<b>Mar-28F</b>	<b>Mar-29F</b>
	Total gross loans	2,091	2,114	2,219	2,330	2,447
	Other interest earning assets	680	726	746	767	789
	Total gross IEAs	2,771	2,839	2,966	3,098	3,236
	Total provisions	(141)	(136)	(142)	(149)	(158)
	Net loans to customers	1,950	1,977	2,077	2,181	2,289
	Total net IEAs	2,631	2,703	2,823	2,948	3,078
	Total non-IEAs	356	301	253	269	285
	Total assets	2,986	3,004	3,076	3,217	3,363
	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	891	924	957
	<b>Asset quality and capital</b>	<b>Mar-25</b>	<b>Mar-26</b>	<b>Mar-27F</b>	<b>Mar-28F</b>	<b>Mar-29F</b>
	Reported NPLs / gross cust loans (%)	4.6	4.3	3.8	3.8	3.8
	Total provisions / reported NPLs (%)	147.2	151.9	168.7	168.6	169.5

Source: Company data, RHB

## Results At a Glance

Figure 1: Summary of 4QFY26 and FY26 results

FYE Mar (MYRm)	4Q FY25	3Q FY26	4Q FY26	QoQ (%)	YoY (%)	FY25	FY26	YoY (%)	Comments
<b>Net financing income</b>	<b>51.6</b>	<b>48.6</b>	<b>49.0</b>	<b>1</b>	<b>(5)</b>	<b>191.8</b>	<b>193.3</b>	<b>1</b>	
Financing income	76.6	72.5	70.4	(3)	(8)	292.4	287.2	(2)	
Financing expense	(24.9)	(23.9)	(21.4)	(10)	(14)	(100.6)	(93.9)	(7)	
Non-financing income	25.0	17.0	17.3	2	(31)	75.5	69.2	(8)	
Non-FI/Total income (%)	32.7	25.9	26.1			28.3	26.4		
<b>Operating Income</b>	<b>76.7</b>	<b>65.6</b>	<b>66.3</b>	<b>1</b>	<b>(14)</b>	<b>267.4</b>	<b>262.5</b>	<b>(2)</b>	YoY declined due to lower early settlement and fee income.
Overhead expenses	(34.4)	(14.1)	(14.9)	6	(57)	(83.3)	(66.1)	(21)	YoY lower due to 4Q25 opex included a MYR19m goodwill impairment related to RCE's EXP Payment subsidiary. Excluding this, 4Q and FY26 opex would have been -3% and +3% YoY.
CIR (%)	44.9	21.5	22.5			31.2	25.2		
<b>PIOP</b>	<b>42.3</b>	<b>51.5</b>	<b>51.4</b>	<b>(0)</b>	<b>22</b>	<b>184.0</b>	<b>196.4</b>	<b>7</b>	
Impairment allowances on financing	(15.0)	(3.0)	(4.8)	62	(68)	(37.5)	(24.3)	(35)	
Ann. credit costs (bps)	290	57	91			179	116		
<b>PBT</b>	<b>27.2</b>	<b>48.6</b>	<b>46.6</b>	<b>(4)</b>	<b>71</b>	<b>146.5</b>	<b>172.1</b>	<b>17</b>	
Taxation	(10.6)	(12.0)	(11.9)			(41.0)	(45.5)		
ETR (%)	38.9	24.6	25.6			28.0	26.4		
<b>Net Profit</b>	<b>16.6</b>	<b>36.6</b>	<b>34.7</b>	<b>(5)</b>	<b>&gt;100</b>	<b>105.5</b>	<b>126.6</b>	<b>20</b>	Formed 103%/101% of our/consensus estimates. FY26: +2% YoY ex-goodwill impairment.
<b>Other key data and ratios</b>									
Gross financing	2,090.7	2,088.3	2,113.8	1	1				Financing growth remained behind management's usual mid-single digit target.
Total borrowings	2,058.0	2,110.5	2,035.9	(4)	(1)				
Total assets	2,986.2	3,037.8	3,000.2	(1)	0				
Shareholders' funds	839.5	836.2	870.7	4	4				
ROAA (%)	2.2%	4.8%	4.6%			3.5%	4.2%		
ROAE (%)	8.0%	17.4%	16.2%			12.6%	14.8%		

Source: Company data, RHB

## Earnings forecasts

Our FY27F-28F numbers have been updated to reflect the full-year FY26 results. Following the changes, we raise our FY27F-28F PATMI growth by 3% YoY on the back of improving credit cost.

We also introduce our FY29F earnings in this report.

Figure 2: Revisions to earnings forecasts

FYE Mar	Net profit (MYRm)			EPS (MYR)			DPS (MYR)		
	Previous	Revised	% Chg	Previous	Revised	% Chg	Previous	Revised	% Chg
2027F	131.0	135.2	3.2%	0.09	0.09	3.2%	0.07	0.07	-1.7%
2028F	139.3	143.5	3.0%	0.09	0.10	3.0%	0.07	0.07	-1.7%
2029F	new	148.2	n.a.	new	0.10	n.a.	new	0.08	n.a.

Source: Company data, RHB

## Valuation and TP

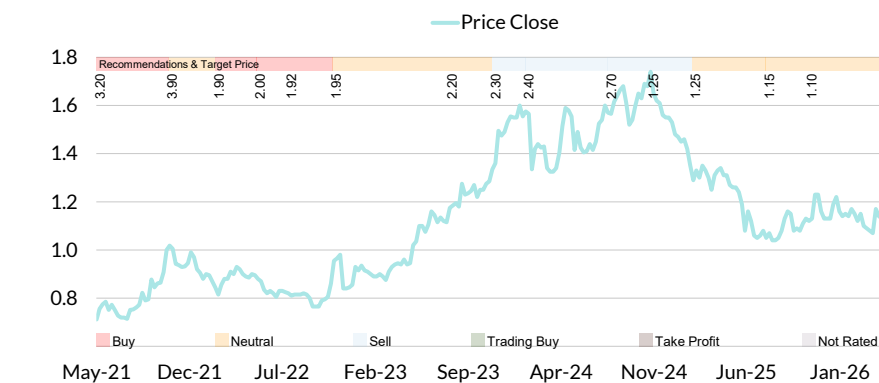
Our new TP of MYR1.25 from MYR1.10 is based on a GGM-derived P/BV of 2.05x (previously 1.8x) and comes on the back of an improving outlook for asset quality.

Figure 3: GGM valuation

<b>Cost of equity (COE) computation:</b>		Sustainable ROE (%)	15.3
Risk free rate (%)	3.8	COE (%)	9.3
Equity premium (%)	5.5	Long-term growth (g)	3.5
Beta (x)	1.0	Implied P/BV (x)	2.05
Cost of equity - CAPM (%)	9.3	BVPS - CY25F	MYR0.60
		Intrinsic value	MYR1.24
ESG premium/(discount) (%)	0.0	ESG premium/(discount)	MYR0.00
		<b>TP (rounded)</b>	<b>MYR1.25</b>

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
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
2024-08-16	Sell	2.70	1.57
2024-05-27	Sell	2.40	1.45
2024-02-08	Sell	2.40	1.57
2024-01-12	Sell	2.30	1.55
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
2022-11-22	Neutral	1.95	0.94
2022-08-12	Buy	1.92	0.82

Source: RHB, Bloomberg

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