Corporate Update

Al-`Aqar Healthcare REIT

(5116 | AQAR MK) Main | REIT

2 Stars

SHARIAH Compliant

Maintain **NEUTRAL**

Unchanged Target Price **RM1.26**

1QFY25 Earnings Review
Flattish Earnings

**Maintain NEUTRAL on Al-`Aqar Healthcare REIT with an unchanged TP of RM1.26**. Al-`Aqar Healthcare REIT 1QFY25 core net income came in within our expectation. Al-`Aqar Healthcare REIT recorded marginally lower earnings on sequential basis due to higher expenses. Meanwhile, 1QFY25 earnings were lower due to lower rental income following disposal of an asset while manager's fee was higher. We see flattish earnings outlook for Al-`Aqar Healthcare REIT with marginal growth from healthcare assets in Malaysia. Hence, we maintain Neutral on Al-`Aqar Healthcare REIT. Net distribution yield is estimated at 5.4%.

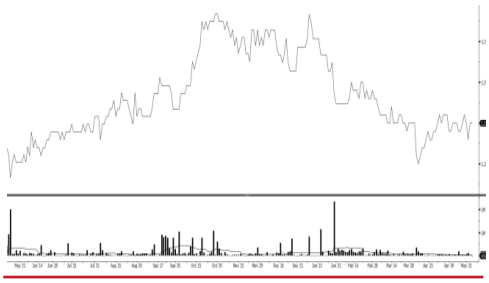
1QFY25 earnings within our expectation. Al-`Aqar Healthcare REIT 1QFY25 core net income came of RM15.8m in within our expectation, making up 23% of our full year forecast. Al-`Aqar Healthcare REIT announced distribution per unit (DPU) of 1.74sen for 1QFY25.

Flattish earnings. Sequentially, 1QFY25 core net income was lower (-3.4%qoq) despite marginally higher topline (+0.4%qoq). The lower earnings were mainly due to higher trust expenses (+16%qoq) which led by increase in property expenses. That has more than enough to offset the lower Islamic financing costs (-1.7%qoq). On yearly basis, 1QFY25 core net income was lower (-3.8%yoy) in tandem with lower topline (-2.2%yoy). The lower topline was due to disposal of Damai Care & Wellness Centre in June 2024. Meanwhile the earnings decline was partly attributed to higher manager's fees (+18.7%yoy) following revision in the management fee rate from 0.25% to 0.3%.

Target price unchanged at RM1.26. We make no changes to our earnings forecast for FY25F/26F. We also maintain our TP for Al-`Aqar Healthcare REIT at RM1.26, based on Dividend Discount Model. Earnings outlook for Al-`Aqar Healthcare REIT is expected to remain tepid with marginal growth from its hospitals while the ongoing acquisition of two hospitals from KPJ Healthcare Berhad will lift earnings slightly. Net distribution yield is estimated at 5.4%. Overall, we maintain our **NEUTRAL** call on Al-`Aqar Healthcare REIT due to flattish earnings outlook and as upside is limited.

RETURN STATISTICS	
Price @ 26th May 2025 (RM)	1.26
Expected share price return (%)	0.0
Expected dividend yield (%)	+5.4
Expected total return (%)	+5.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.9	-0.5
3months	-8.3	-0.9
12 months	-1.4	-1.6

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	117	119	120
Net Rental Income	111	111	112
Profit Before Tax	58	68	69
Core Net Income	64	68	70
Core EPU (sen)	7.60	7.78	7.99
Net DPU (sen)	6.54	6.75	7.02
Dividend Yield	5.2%	5.4%	5.6%

KEY STATISTICS

FBM KLCI	1,534.30
Issue shares (m)	839.60
Estimated free float (%)	35.66
Market Capitalisation (RM'm)	1,058
52-wk price range	RM1.23 – RM1.42
3-mth average daily volume (m)	0.18
3-mth average daily value (RM'm)	0.23
Top Shareholders (%)	
Lembaga Tabung Haji	14.72
EPF	13.19
KWAP	7.78

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Al-`Aqar Healthcare REIT: 1QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY25	%YoY	%QoQ	FY25	%YoY
Gross rental income	29.2	-2.2%	0.4%	29.2	-2.2%
Net rental income	25.0	-11.3%	-8.7%	25.0	-11.3%
Profit before tax	15.8	-3.7%	63.2%	15.8	-3.7%
Profit after tax	15.8	-3.7%	59.9%	15.8	-3.74%
Core net income	15.8	-3.8%	-3.4%	15.8	-3.76%
Realised EPU (sen)	1.9	-2.6%	61.8%	1.9	-2.6%
Core EPU (sen)	1.9	-2.6%	-2.2%	1.9	-2.6%
Gross DPU (sen)	1.7	-8.4%	10.8%	1.7	-8.4%

Source: Company, MIDF Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Gross Revenue	110	121	117	119	120
Net Rental Income	114	111	111	112	102
Profit Before Tax	60	61	58	68	69
Net Income	60	61	58	68	70
Core Net Income	72	66	64	68	70
Core EPU (sen)	9.5	7.8	7.6	7.8	8.0
Core PER (x)	13.3	16.1	16.6	16.2	15.8
NAV/unit (RM)	1.28	1.28	1.25	1.21	1.22
P/NAV (x)	0.98	0.99	1.00	1.04	1.04

Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F
Investment properties	1,721	1,643	1,654	1,671	1,679
Total non-current assets	1,721	1,643	1,654	1,671	1,679
Islamic fixed deposits with licensed banks	55	31	53	54	54
Cash and cash equivalents	41	53	34	55	88
Other assets	50	128	94	93	89
Total Assets	**1,867**	**1,856**	**1,836**	**1,873**	**1,911**
Islamic financing	856	678	649	636	624
ST Borrowings	-	-	-	-	-
Other Liabilities	40	106	133	177	221
Total Liability	896	784	782	813	845
Unitholders' capital	756	855	855	855	855
Other Equity	215	218	199	205	212
Total unitholders' fund	971	1,072	1,054	1,060	1,066
Equity + Liability	**1,867**	**1,856**	**1,836**	**1,873**	**1,911**

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
Cash flows from operating activities	60	61	58	68	69
Net income before taxation	89	101	97	100	103
Net cash from operating activities					
Cash flows from investing activities	-167	0	0	0	0
Acquisition of investment properties	-170	1	13	10	7
Net cash used in investing activities					
Cash flows from financing activities	87	-117	-101	-88	-77
Net cash from/(used in) financing activities					
	7	-14	8	22	34
Net increase/(decrease) in cash and cash equivalents	90	96	84	87	109
Cash and cash equivalent at 1 January	96	84	87	109	143
Cash and cash equivalent at 1 December	60	61	58	68	69

Profitability Ratios (%)	2022A	2023A	2024A	2025F	2026F
Net rental income margin	103.8%	91.5%	94.8%	93.8%	85.1%
Core net income margin	64.9%	54.4%	54.4%	57.3%	58.5%
ROE	7.4%	6.1%	6.1%	6.4%	6.6%
ROA	3.8%	3.5%	3.5%	3.6%	3.7%

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology