Corporate Update

Al-`Aqar Healthcare REIT

(5116 | AQAR MK) Main | REIT

2 Stars

SHARIAH Compliant

Maintain **NEUTRAL**

Unchanged Target Price **RM1.26**

2QFY25 Earnings Review
Flattish Earnings Outlook

Maintain NEUTRAL on Al-`Aqar Healthcare REIT with an unchanged TP of RM1.26**. Al-`Aqar Healthcare REIT 1HFY25 core net earnings came in within our expectation. 1HFY25 earnings were marginally higher mainly due to lower expenses which cushioned loss of income from Damai Care & Wellness Centre. Going forward, we see that earnings outlook to remain flattish. Rental income from healthcare assets is expected to remain stable while hospital acquisitions should lift earnings marginally. We remain **NEUTRAL on Al-`Aqar Healthcare REIT. Net distribution yield is estimated at 5.1%.

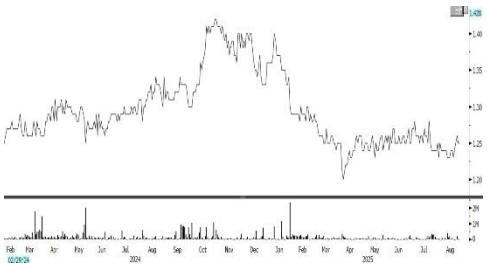
1HFY25 earnings within our expectation. Al-`Aqar Healthcare REIT 1HFY25 core net income came of RM31.9m in within our expectation, making up 47% of our full year forecast. Al-`Aqar Healthcare REIT announced distribution per unit (DPU) of 1.74sen for 2QFY25, bringing total DPU to 3.47sen in 1HFY25.

Flattish earnings in 1HFY25. Sequentially, 2QFY25 core net income was marginally higher at RM16.1m (+1.9%qoq) despite lower topline (-1.2%qoq) due to lower property expenses (-17%qoq). The lower property expenses were led by lower maintenance expenses for properties. On a yearly basis, 2QFY25 core net income was higher (+5%yoy) mainly due to lower property expenses (-28.6%yoy). That brought cumulative earnings in 1HFY25 at RM31.9m (+0.5%yoy) while topline was lower (-2%yoy). The lower topline was due to loss of income from Damai Care & Wellness Centre following disposal of the asset which cushioned by annual rental increment of its healthcare assets.

Target price unchanged at RM1.26. We maintain our earnings forecast for FY25F/26F. We also maintain our **TP** for Al-`Aqar Healthcare REIT at **RM1.26**, based on Dividend Discount Model. We see flattish earnings outlook for Al-`Aqar Healthcare REIT with marginal earnings growth from its existing hospitals. The ongoing acquisition of two hospitals namely KPJ Ampang Puteri new building and KPJ Penang new building from KPJ Healthcare Berhad is expected to lift earnings slightly. In a nutshell, we maintain **NEUTRAL** on Al-`Aqar Healthcare REIT.

RETURN STATISTICS	
Price @ 26th Aug 2025 (RM)	1.25
Expected share price return (%)	+0.8
Expected dividend yield (%)	+5.1
Expected total return (%)	+5.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.8	-2.2
3months	0.0	-3.8
12 months	-5.3	-1.9

INVESTMENT STATISTICS

FYE Dec	2025F	2026F	2027F
Revenue	119	120	121
Net Rental Income	111	112	112
Profit Before Tax	68	70	71
Core Net Income	68	70	71
Core EPU (sen)	7.78	7.99	8.05
Net DPU (sen)	6.39	6.48	6.57
Dividend Yield	5.1%	5.2%	5.3%

KEY STATISTICS

FBM KLCI	1,581.59
Issue shares (m)	839.60
Estimated free float (%)	41.15
Market Capitalisation (RM'm)	1,049
52-wk price range	RM1.2 – RM1.42
3-mth average daily volume (m)	0.07
3-mth average daily value (RM'm)	0.09
Top Shareholders (%)	
Lembaga Tabung Haji	13.35
EPF	13.19
KWAP	7.65

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Al-`Aqar Healthcare REIT: 2QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY25	%YoY	%QoQ	FY25	%YoY
Gross rental income	28.8	-1.9%	-1.2%	58.0	-2.0%
Net rental income	25.4	-8.5%	1.5%	50.4	-9.9%
Profit before tax	16.0	-2.5%	1.0%	31.7	-3.1%
Profit after tax	16.0	-2.5%	1.0%	31.7	-3.10%
Core net income	16.1	5.0%	1.9%	31.9	0.45%
Realised EPU (sen)	1.9	-1.3%	1.0%	3.8	-1.9%
Core EPU (sen)	1.9	6.2%	1.9%	3.8	1.7%
Gross DPU (sen)	1.73	-8.9%	-0.6%	3.47	-8.7%

Source: Company, MBSB Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	FY23F	FY24F	FY25F	FY26F	FY27F
Gross Revenue	121	117	119	120	121
Net Rental Income	111	111	112	102	104
Profit Before Tax	61	58	68	70	71
Net Income	61	58	68	70	71
Core Net Income	66	64	68	70	71
Core EPU (sen)	7.8	7.6	7.8	8.0	8.1
Core PER (x)	16.0	16.4	16.1	15.7	15.5
NAV/unit (RM)	1.28	1.25	1.21	1.22	1.22
P/NAV (x)	0.98	1.00	1.03	1.03	1.02

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
Investment properties	1,643	1,654	1,671	1,679	1,688
Total non-current assets	1,643	1,654	1,671	1,679	1,688
Islamic fixed deposits with licensed banks	31	53	54	54	55
Cash and cash equivalents	53	34	55	88	133
Other assets	128	94	93	89	75
Total Assets	**1,856**	**1,836**	**1,873**	**1,911**	**1,952**
Islamic financing	678	649	636	624	611
ST Borrowings	-	-	-	-	1
Other Liabilities	106	133	177	221	266
Total Liability	784	782	813	845	878
Unitholders' capital	855	855	855	855	855
Other Equity	218	199	205	212	218
Total unitholders' fund	1,072	1,054	1,060	1,066	1,073
Equity + Liability	**1,856**	**1,836**	**1,873**	**1,911**	**1,952**

Cash Flow (RM'm)	FY23F	FY24F	FY25F	FY26F	FY27F
Cash flows from operating activities					
Net income before taxation	61	58	68	70	71
Net cash from operating activities	101	97	100	103	107
Cash flows from investing activities					
Acquisition of investment properties	0	0	0	0	0
Net cash used in investing activities	1	13	10	7	5
Cash flows from financing activities					
Net cash from/(used in) financing activities	-117	-101	-88	-77	-67
Net increase/(decrease) in cash and cash equivalents	-14	8	22	34	46
Cash and cash equivalent at 1 January	96	84	87	109	143
Cash and cash equivalent at 1 December	84	87	109	143	188

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Net rental income margin	91.5%	94.8%	93.8%	85.1%	86.0%
Core net income margin	54.4%	54.4%	57.3%	58.5%	58.4%
ROE	6.1%	6.1%	6.4%	6.6%	6.6%
ROA	3.5%	3.5%	3.6%	3.7%	3.6%

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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