Corporate Update

Al-`Aqar Healthcare REIT

(5116 | AQAR MK) Main | REIT

2 Stars

SHARIAH Compliant

Upgrade to **BUY**
From NEUTRAL

Unchanged Target Price **RM1.30**

1QFY26 Earnings Review
Steady Earnings Growth

Upgrade to BUY from NEUTRAL on Al-`Aqar Healthcare REIT with an unchanged TP of RM1.30**. Al-`Aqar Healthcare REIT 1QFY26 core net income of RM17.3m met expectations. Al-`Aqar Healthcare REIT registered earnings growth of 9.6%yoy in 1QFY26 mainly due to contribution from newly acquired KPJ Ampang Puteri Specialist Hospital (New Building) and KPJ Penang Specialist Hospital (New Building). Earnings outlook for Al-`Aqar Healthcare REIT is expected to remain stable while gross distribution yield is attractive at 5.9%. We upgrade our call to **BUY from NEUTRAL on Al-`Aqar Healthcare REIT as share price weakness offers a more attractive upside.

1QFY26 earnings within expectation. Al-`Aqar Healthcare REIT 1QFY26 core net income of RM17.3m came in within expectation, making up 26% of our full year forecast. Al-`Aqar Healthcare REIT announced distribution per unit (DPU) of 1.93sen for 1QFY26.

Higher sequential earnings driven by lower expenses. Sequentially, Al-`Aqar Healthcare REIT core net earnings in 1QFY26 increased to RM17.3m (+7.2%qoq), supported by the rental growth (+1.3%qoq). Besides, earnings growth was also driven by lower property expenses (-3.6%qoq), lower Islamic financing cost (-3.2%qoq) as well as declining administrative expenses (-39.3%qoq).

Earnings driven by contribution from newly acquired assets. On a yearly basis, 1QFY26 core net earnings grew to RM17.3m (+9.6%yoy), in tandem with the higher topline (+13.4%yoy). The rental growth was underpinned by contribution from newly acquired KPJ Ampang Puteri Specialist Hospital (New Building) and KPJ Penang Specialist Hospital (New Building). Meanwhile, earnings growth was partly offset by the higher Islamic financing cost (+24.6%yoy) due to higher borrowings incurred for acquisitions.

Target price maintained at RM1.30. We make no changes to our earnings forecast. We also maintain our **TP** for Al-`Aqar Healthcare REIT at **RM1.30** based on Dividend Discount Model. Overall, we expect stable earnings growth for Al-`Aqar Healthcare REIT due to contribution from newly acquired assets and rental reversion. We upgrade Al-`Aqar Healthcare REIT to **BUY** from NEUTRAL as the recent pullback in share price offers a more attractive upside. Besides, gross distribution yield is attractive at 5.9%.

RETURN STATISTICS	
Price @ 22nd May 2026 (RM)	1.21
Expected share price return (%)	+7.4
Expected dividend yield (%)	+5.9
Expected total return (%)	+13.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.8	-0.4
3months	0.8	-4.3
12 months	-4.0	-13.9

INVESTMENT STATISTICS

FYE Dec	2025A	2026F	2027F
Revenue	120	120	121
Net Rental Income	105	111	112
Profit Before Tax	56	66	66
Core Net Income	64	66	66
Core EPU (sen)	7.66	7.49	7.55
Gross DPU (sen)	7.06	7.20	7.30
Gross Yield	5.8%	5.9%	6.0%

KEY STATISTICS

FBM KLCI	1,712.67
Issue shares (m)	839.60
Estimated free float (%)	41.26
Market Capitalisation (RM'm)	1,015
52-wk price range	RM1.18 – RM1.32
3-mth average daily volume (m)	0.11
3-mth average daily value (RM'm)	0.13
Top Shareholders (%)	
Lembaga Tabung Haji	13.35
EPF	13.08
Amanah Saham Nasional Bhd	7.65

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Al-`Aqar Healthcare REIT: 1QFY26 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY26	%YoY	%QoQ	FY26	%YoY
Gross rental income	33.1	13.4%	1.3%	33.1	13.4%
Net rental income	29.0	15.8%	1.5%	29.0	15.8%
Profit before tax	17.3	9.6%	124.7%	17.3	9.6%
Profit after tax	17.3	9.6%	124.7%	17.3	9.6%
Core net income	17.3	9.6%	7.2%	17.3	9.6%
Realised EPU (sen)	2.1	9.6%	124.7%	2.1	9.6%
Core EPU (sen)	2.1	9.6%	7.2%	2.1	9.6%
Gross DPU (sen)	1.9	10.9%	3.8%	1.9	10.9%

Source: Company, MBSB Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025A	2026F	2027F
Gross Revenue	121	117	120	120	121
Net Rental Income	111	105	111	102	104
Profit Before Tax	61	58	56	66	66
Net Income	61	58	56	66	66
Core Net Income	66	64	64	66	66
Core EPU (sen)	7.8	7.6	7.7	7.5	7.5
Core PER (x)	16.3	16.8	16.7	17.1	17.0
NAV/unit (RM)	1.28	1.25	1.25	1.23	1.24
P/NAV (x)	1.00	1.02	1.02	1.04	1.04

Balance Sheet (RM'm)	2023A	2024A	2025A	2026F	2027F
Investment properties	1,643	1,654	1,879	1,889	1,898
Total non-current assets	1,643	1,654	1,879	1,889	1,898
Islamic fixed deposits with licensed banks	31	53	53	53	54
Cash and cash equivalents	53	34	39	106	194
Other assets	128	94	117	135	119
Total Assets	1,856	1,836	2,088	2,183	2,266
Islamic financing	678	649	371	363	356
Other Liabilities	106	133	667	744	826
Total Liability	784	782	1,038	1,108	1,183
Unitholders' capital	855	855	855	855	855
Other Equity	218	199	214	221	228
Total unitholders' fund	1,072	1,054	1,050	1,075	1,082
Equity + Liability	1,856	1,836	2,088	2,183	2,266

Cash Flow (RM'm)	2023A	2024A	2025A	2026F	2027F
Cash flows from operating activities					
Net income before taxation	61	58	56	76	76
Net cash from operating activities	101	97	107	111	114
Cash flows from investing activities					
Acquisition of investment properties	0	0	0	0	0
Net cash used in investing activities	1	13	-244	-185	-141
Cash flows from financing activities					
Net cash from/(used in) financing activities	-117	-101	152	132	115
Net increase/(decrease) in cash and cash equivalents	-14	8	16	58	89
Cash and cash equivalent at 1 January	96	84	87	103	161
Cash and cash equivalent at 1 December	84	87	103	161	249

Profitability Ratios (%)	2023A	2024A	2025A	2026F	2027F
Net rental income margin	91.5%	89.2%	92.6%	85.1%	86.0%
Core net income margin	54.4%	54.4%	53.6%	54.8%	54.8%
ROE	6.1%	6.1%	6.1%	6.1%	6.1%
ROA	3.5%	3.5%	3.1%	3.0%	2.9%

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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