Al-`Aqar Healthcare REIT

(5116 | AQAR MK) Main | REIT

2 Stars

SHARIAH Compliant

Corporate Update

1HFY26 Earnings Review
Stable Growth Momentum

Maintain **BUY**

Unchanged Target Price **RM1.30**

**Maintain BUY on Al-`Aqar Healthcare REIT with an unchanged TP of RM1.30**. Al-`Aqar Healthcare REIT 1HFY26 core net income of RM33.1m came in within expectation. Earnings growth in 1HFY26 remains stable at 3.8%yoy due to additional earnings from newly acquired KPJ Ampang Puteri Specialist Hospital (New Building) and KPJ Penang Specialist Hospital (New Building). We continue to see stable earnings outlook for Al-`Aqar Healthcare REIT due to potentially higher acquisition yields, better capital recycling through planned asset disposals, and a higher proportion of fixed-rate debt, which should improve earnings stability. Gross distribution yield is attractive at 6.0%.

1HFY26 earnings within expectation. Al-`Aqar Healthcare REIT 1HFY26 core net income of RM33.1m came in within expectation, making up 50% of our full year forecast. Al-`Aqar Healthcare REIT announced distribution per unit (DPU) of 1.76sen for 2QFY26, bringing total DPU to 3.69sen in 1HFY26.

Lower sequential earnings. Sequentially, Al-`Aqar Healthcare REIT core net earnings in 2QFY26 declined to RM15.8m (-8.7%qoq) mainly due to higher Islamic financing cost (+9.9%qoq) and higher property expenses. Note that the Islamic financing cost increase was attributable to borrowings undertaken for acquisitions. Meanwhile, we see improved visibility on interest costs as the REIT plans to move towards a 70% fixed-rate debt mix and refinances at potentially lower rates.

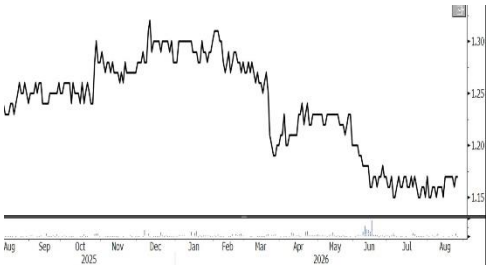
Stable growth momentum in 1HFY26. On a yearly basis, 1QFY26 core net earnings were marginally lower at RM15.8m (-1.8%yoy), bringing 1HFY26 earnings to RM33.1m (+3.8%yoy). Rental growth was supported by earnings contributions from the recently acquired KPJ Ampang Puteri Specialist Hospital (New Building) and KPJ Penang Specialist Hospital (New Building). However, overall earnings growth was moderated by higher Islamic financing expenses (+29.6%yoy) due to acquisition financing.

Building earnings resilience. Al -`Aqar Healthcare REIT is targeting higher acquisition yields above 6.25% to drive stronger earnings accretion, while disposing of lower-yielding wellness assets as part of its capital recycling strategy. The REIT also plan to shift its debt mix to 70% fixed-rate and 30% floating-rate financing, providing greater stability in financing costs. We believe these initiatives should support better yield accretion and more stable earnings going forward.

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, supported by contributions from newly acquired assets and positive rental reversion.

RETURN STATISTICS	
Price @ 27th Aug 2026 (RM)	1.17
Expected share price return (%)	+11.1
Expected dividend yield (%)	+6.0
Expected total return (%)	+17.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.7	-0.8
3months	0.0	-7.4
12 months	-6.4	-15.2

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	6.0%	6.2%	6.2%

KEY STATISTICS	
FBM KLCI	1,741.72
Issue shares (m)	839.60
Estimated free float (%)	32.51
Market Capitalisation (RM'm)	982
52-wk price range	RM1.18 – RM1.32
3-mth average daily volume (m)	0.19
3-mth average daily value (RM'm)	0.10
Top Shareholders (%)	
Lembaga Tabung Haji	14.62
EPF	12.63
KWAP	7.78
Amanah Saham Nasional Bhd	7.49
Pusat Pakar Tawakal Sdn Bhd	6.51

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Al-`Aqar Healthcare REIT: 2QFY26 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY26	%YoY	%QoQ	FY26	%YoY
Gross rental income	33.0	14.3%	-0.4%	66.1	13.9%
Net rental income	28.8	13.5%	-0.5%	57.8	14.7%
Profit before tax	15.8	-1.0%	-8.7%	33.1	4.3%
Profit after tax	15.8	-1.0%	-8.7%	33.1	4.27%
Core net income	15.8	-1.8%	-8.7%	33.1	3.82%
Realised EPU (sen)	1.9	-1.0%	-8.7%	3.9	4.3%
Core EPU (sen)	1.9	-1.8%	-8.7%	3.9	3.8%
Gross DPU (sen)	1.8	1.7%	-8.8%	3.7	6.3%

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)	14.9	15.4	15.3	15.6	15.5
NAV/unit (RM)	1.28	1.25	1.25	1.23	1.24
P/NAV (x)	0.92	0.93	0.94	0.95	0.95

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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MBSB 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