

25 May 2026

Al-Aqar Healthcare REIT

Within Expectations

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ALAQAR's 1QFY26 net profit and gross dividend of 1.9 sen were within expectations. YoY, its net profit grew by 10% largely driven by new rental income contribution from KPJ Ampang Puteri Specialist Hospital (New Building) and KPJ Penang Specialist Hospital (New Building) which were acquired in Oct 2025 from its sponsor, KPJ Healthcare Berhad (KPJ). Looking ahead, we do not anticipate any major asset acquisitions in the near term after the asset injections of the two new buildings abovementioned. All in, we keep our FY26-27 earnings forecast unchanged that implies a 6% DPU growth in FY26. Maintain **OUTPERFORM** call with a Target Price of RM1.25 on the back of a 6% dividend yield.

Within expectations. ALAQAR's 1QFY26 net profit of RM17.3m made up 25% of our full-year forecast and 25% of consensus full-year estimate, respectively. A gross dividend of 1.9 sen was declared by the group, on track to meet our FY26 dividend forecast of 7.5 sen.

YoY, its revenue rose by 13% largely driven by the new rental income contribution from KPJ Ampang Puteri Specialist Hospital (New Building) and KPJ Penang Specialist Hospital (New Building) which were acquired in Oct 2025. Its net profit grew by 10% after deducting additional financing expenses.

QoQ, its revenue inched up 1% while its net profit was 7% higher, largely attributable to a lower cost of borrowings and a lower maintenance cost.

Outlook. Moving forward, we note that the sponsor will likely continue its brownfield expansion by extending new wings on existing buildings or constructing additional ones to existing operating hospitals as opposed to building or acquiring an entire new hospital. These plans are anticipated to be developed and subsequently be injected into ALAQAR in the medium term, aligning with KPJ's asset-light operating model. While the group's mandate prioritizes acquiring assets on prime location with high population density, its continuous efforts in non-core assets recycling such as wellness centres also provides a capital allocation tool through disposal at attractive valuations to be redeployed into higher-growth or higher-yielding opportunities. The income stability and defensiveness of the group will continue to be anchored by ALAQAR's lease structures, where many assets are leased on long tenures (5 years to 15 years) to its sponsor (KPJ) from which we expect continued renewals.

Forecasts. Unchanged.

Valuations. We keep our Target Price at RM1.25 based on an applied target yield of 6.0% (2.5% yield spread + 3.5% MGS), applied to our FY26F GDPU estimate of 7.5 sen. This is aligned with the sector average and also consistent with its 10-year historical forward dividend yield of 6.0%.

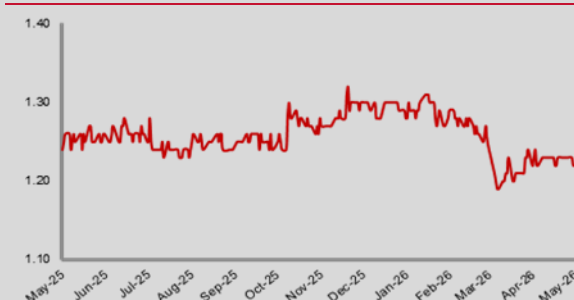
Investment case. Its strength lies in its recession-proof, highly predictable income stream that are less sensitive to economy volatility, consumer sentiment, or retail spending cycles backed by a strategic sponsor-tenant ecosystem between it and KPJ. Maintain **OUTPERFORM**.

Risks to our call include: (i) higher/lower-than-expected bond yield, and (ii) unexpected non-renewals of its tenant.

OUTPERFORM

Price : RM1.21
Target Price : RM1.25

Share Price Performance



KLCI	1,712.67
YTD KLCI chg	1.9%
YTD stock price chg	-5.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	AQAR MK Equity
Market Cap (RM m)	1,015.9
Shares Outstanding	839.6
52-week range (H)	1.32
52-week range (L)	1.19
3-mth avg. daily vol.	110,158
Free Float	41%
Beta	0.45

Major Shareholders

Lembaga Tabung Haji	13.4%
Employees Provident Fund	13.1%
Amanah Saham Nasional	7.7%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	120.0	133.1	135.1
EBIT	113.4	124.5	126.3
PBT	55.7	67.9	69.5
PATAMI	55.7	67.9	69.5
Core PATAMI	64.2	67.9	69.5
Consensus (NP)	60.8	67.9	69.5
Earnings Revision	-	-	-
Core EPS (sen)	7.6	8.1	8.3
Core EPS Growth (%)	0.7	5.8	2.4
GDPU (sen)	7.1	7.5	7.7
BVPS (RM)	1.25	1.27	1.29
PER (x)	15.8	15.0	14.6
PBV (x)	1.0	1.0	0.9
Asset Gearing (x)	0.48	0.48	0.48
Gross Div. Yield (%)	5.8	6.2	6.4

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Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Property Income	33.0	32.7	0.9%	29.2	12.9%	33.0	29.2	12.9%
Non-Property Income	0.1	0.1	0.1%	0.0	N.M.	0.1	0.0	N.M.
Gross Revenue	33.1	32.8	0.9%	29.2	13.4%	33.1	29.2	13.4%
Property Operating Expenses	-4.1	-4.3	-3.6%	-4.2	-1.0%	-4.1	-4.2	-1.0%
Net Property Income	29.0	28.6	1.5%	25.0	15.8%	29.0	25.0	15.8%
Interest & Investment Income	0.6	-7.9	-107.3%	0.6	-6.3%	0.6	0.6	-6.3%
Net Investment Income	29.6	20.6	43.4%	25.7	15.3%	29.6	25.7	15.3%
Non-operating expenses	-12.3	-12.9	-5.1%	-9.9	24.4%	-12.3	-9.9	24.4%
Profit before tax	17.3	7.7	124.7%	15.8	9.6%	17.3	15.8	9.6%
Taxation	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
Minority interest	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
Net Profit	17.3	7.7	124.7%	15.8	9.6%	17.3	15.8	9.6%
Distributable Income	16.8	15.7	6.9%	15.2	10.7%	16.8	15.2	10.7%
Core Net Profit	17.3	16.1	7.2%	15.8	9.6%	17.3	15.8	9.6%
Core Earnings Per Unit (sen)	2.06	1.92	7.2%	1.88	9.6%	2.06	1.88	9.6%
Distribution Per Unit (sen)	1.93	1.86	3.8%	1.74	10.9%	1.93	1.74	10.9%
Net Asset Value Per Unit (RM)	1.25	1.25	0.2%	1.26	-0.4%	1.25	1.26	-0.4%
Key Operating Metrics:								
Net property income margin	87.6%	87.0%		85.8%		87.6%	85.8%	
Pretax margin	52.3%	23.5%		54.1%		52.3%	54.1%	
Gross Gearing	48.3%	48.3%		41.3%		48.3%	41.3%	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)		ROE (%)		Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
REITs																			
AL-AQAR REIT	MP	1.21	1.25	3.3%	1,015.9	Y	12/2026	8.1	8.3	5.8%	2.4%	15.0	14.6	1.0	6.4%	8.0	6.6%		
AME REIT	MP	1.58	1.58	0.0%	840.6	Y	03/2027	8.1	8.5	8.3%	5.5%	19.4	18.6	1.3	6.5%	9.0	5.7%		
AXIS REIT	MP	1.99	1.93	-3.0%	4,029.5	Y	12/2026	10.6	11.1	6.2%	5.1%	18.8	17.9	1.2	6.3%	10.1	5.1%		
CAPITALAND MALAYSIA TRUST	MP	0.630	0.650	3.2%	2,120.0	N	12/2026	5.2	5.4	10.1%	4.2%	12.1	11.6	0.7	5.4%	4.8	7.7%		
IGB REIT	MP	2.84	2.81	-1.1%	12,293.6	N	12/2026	14.4	15.4	42.6%	7.0%	19.8	18.5	2.7	9.9%	15.4	5.4%		
KLCCP STAPLED GROUP	MP	9.10	9.22	1.3%	16,428.5	Y	12/2026	47.8	49.2	5.8%	2.9%	19.0	18.5	1.3	6.1%	46.9	5.2%		
PAVILION REIT	MP	1.79	1.80	0.6%	7,031.0	N	12/2026	10.5	11.0	15.1%	4.1%	17.0	16.3	1.4	7.6%	10.7	6.0%		
SUNWAY REIT	MP	2.38	2.45	2.9%	8,151.0	N	12/2026	12.7	13.3	1.7%	5.3%	18.8	17.8	1.6	7.8%	12.5	5.3%		
SECTOR AGGREGATE					51,910.3					13.4%	4.7%	18.8	18.0	1.4	7.0%		5.9%		

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★		
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations**

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

**** The Expected Total Return might contain rounding discrepancy**

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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