



## Company Report

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# AL-AQAR HEALTHCARE REIT

(AQAR MK EQUITY, ALQA.KL)

28 Nov 2025

*Earnings on track with distribution payouts meeting expectations*

**HOLD**

(Maintained)

**Rationale for report: Company Results**

Price	RM1.27
Target Price	RM1.40
52-week High/Low	RM1.42/RM1.20

### Key Changes

Target Price	↔
EPS	↔

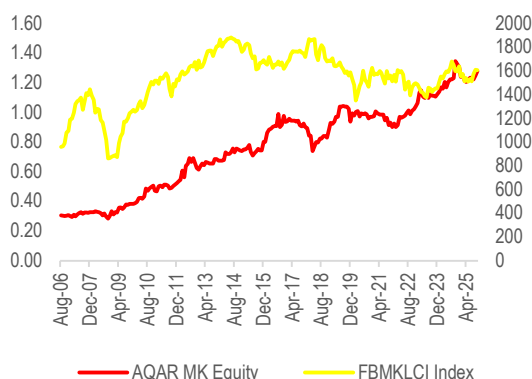
YE to Jun	FY24	FY25F	FY26F	FY27F
Gross Revenue (RM mil)	117.2	117.9	134.6	137.3
Distributable Income (RM mil)	62.2	59.2	72.5	75.3
Consensus Net Income (RM mil)		60.8	69.8	71.9
EPU (sen)	7.4	7.1	8.6	9.0
DPU (sen)	7.3	6.9	8.5	8.8
DPU Growth (%)	-8.0	-4.9	22.4	3.9
Adj. Distribution Yield (%)	5.7	5.4	6.6	6.9
PE (x)	17.3	18.1	14.8	14.3
EV/EBITDA	18.8	18.9	16.6	16.2
ROE (%)	5.9	5.2	6.4	6.7
Debt-to-Asset Ratio (%)	41.3	41.7	41.7	41.8

### Stock and Financial Data

Shares Outstanding (million)	839.6
Market Cap (RMmil)	1,074.6
Book Value (RM/Share)	1.3
P/BV (x)	1.0
ROE (%)	5.9
Net Gearing (%)	41.3

Major Shareholders	Johor Corp (38.5%) Lembaga Tabung Haji (14.6%) Employees Provident Fund (13.1%)
Free Float	14.1
Avg Daily Value (RMmil)	0.1

Price performance	3mth	6mth	12mth
Absolute (%)	4.9	4.0	(8.5)
Relative (%)	(0.9)	(1.1)	(9.6)



### Investment Highlights

**9M25 distributable income was broadly in line, flat at -0.1% YoY. We maintain our HOLD call with limited upside based on our DDM-derived target price of RM1.40/unit. AQAR provides exposure to Malaysia's resilient private healthcare sector, supported by full occupancy across 23 properties, including 17 hospitals under long-term leases with KPJ Healthcare. While income visibility remains strong, growth is constrained by high gearing (41.2%), capital limitations, and heavy reliance on a single tenant. Liquidity challenges persist due to concentrated shareholding among six major stakeholders.**

- Recommendation and valuation.** We maintain our HOLD recommendation with an unchanged target price of RM1.40, based on DDM valuation which indicates a modest upside of approximately 10.2%. Our DDM-based valuation is anchored on key financial assumptions: an 8.1% weighted average cost of capital (WACC), a beta of 0.9, a market risk premium of 7.5%, a pre-tax cost of debt of 5.0%, and a long-term growth rate of 2%. Earnings projections and the 3-star neutral ESG rating remain unchanged.
- 9M25 distributional income within expectations, flattish at RM46.2 million (-0.1% YoY).** It accounted for 78.0% of our full-year target and 75.9% of consensus. Gross rental income stable at RM87.3mil (-1.0% YoY). 9M25 Malaysia's net rental income was soft at RM75.6mil (-1.4% YoY), down RM1mil mainly due to a RM0.6mil management fee revision, RM0.5mil from Tawakkal Health Centre renewal, and RM0.4mil loss from Damai Wellness Centre disposal in June 2024. These were partly offset by a RM0.5mil annual rental increment. QoQ, distributable income rose 1.9%, driven by lower financing costs after the 25bps OPR cut in July 2025, with all borrowings on floating rates. A 3<sup>rd</sup> interim distribution of 1.73 sen/unit was declared bringing the 9M25 distributions to RM5.70/unit representing a payout of 98.9%, in line with our estimates.
- Hospital assets within the portfolio remain fully occupied.** Tenancy expiries are well staggered, with only 3%–11% of annual NLA up for renewal each year from FY26F to FY28F, reducing concentration risk. However, heavy reliance on KPJ Healthcare as the main tenant limits rental growth prospects and closely links the REIT's performance to KPJ's operational strength versus other local and regional hospital operators.
- AI- 'Aqar's gearing ratio remained elevated at 41.2%.** This limits capacity for new acquisitions without further increasing leverage and affecting distributable income. Growth would likely depend on either divesting non-core assets or issuing new units to raise capital.

## EXHIBIT 1: RESULTS SUMMARY

FY 31 Dec (RMmil)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	28.9	28.8	29.2	1.4	1.1	88.2	87.3	(1.0)
Other income	0.2	0.1	0.1	0.0	(14.9)	0.4	0.4	(10.6)
Gross revenue	29.1	29.0	29.4	1.4	1.0	88.6	87.7	(1.1)
Property expenses	(1.7)	(1.7)	(1.7)	0.4	5.5	(4.9)	(5.2)	6.5
Manager's fees	(1.2)	(1.4)	(1.4)	0.2	19.4	(3.5)	(4.2)	19.2
Professional fees	(0.9)	(0.0)	(0.4)	1,123.5	(54.7)	(2.3)	(0.4)	(81.0)
Valuation fees	0.0	(0.2)	(0.1)	(50.1)	n.a.	0.0	(0.4)	n.a.
Trustee's fees	(0.1)	(0.1)	(0.1)	0.1	(1.4)	(0.3)	(0.3)	(1.6)
Disposal fees	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Maintenance of property	(0.1)	(0.0)	0.0	(100.0)	(100.0)	(1.2)	(0.8)	(29.3)
Total property expenses	(3.9)	(3.4)	(3.7)	8.6	(4.7)	(12.2)	(11.3)	(7.5)
Total investment (loss)/income	0.5	0.4	0.4	3.2	(17.4)	2.3	1.3	(42.1)
Net investment income	25.7	26.0	26.1	0.5	1.5	78.7	77.7	(1.3)
Islamic financing costs	(9.7)	(9.7)	(9.4)	(2.6)	(2.7)	(28.9)	(28.6)	(1.1)
Admin expenses	(0.3)	(0.3)	(0.4)	28.7	51.0	(1.2)	(1.0)	(13.6)
Other trust expenses	(0.1)	(0.0)	(0.0)	(97.4)	(99.4)	(0.2)	(0.0)	(80.6)
Profit before EI	15.6	16.0	16.3	2.0	4.0	48.4	48.0	(0.8)
Exceptional item (EI)	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Associates/JV contribution	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Profit Before Taxation	15.6	16.0	16.3	2.0	4.0	48.4	48.0	(0.8)
Taxation	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Minority Interest (MI)	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Net Profit	15.6	16.0	16.3	2.0	4.0	48.4	48.0	(0.8)
Distributable Income	15.6	16.0	16.3	2.0	4.0	48.4	48.0	(0.8)
Adjustment	0.0	(0.6)	(0.6)	4.2	n.a.	(1.7)	(1.8)	6.3
Adjusted distributable income	15.6	15.4	15.7	1.9	0.2	46.7	46.2	(1.0)
Distribution:								
EPU (sen)	1.9	1.8	1.9			5.8	5.7	
Declared DPU (sen)	1.9	1.7	1.7			5.7	5.2	
NAV/unit	1.3	1.3	1.3			1.3	1.3	
Weighted average units in issue ('Mil)	839.6	839.6	839.6			839.6	839.6	
Margin:								
Net Property Income Margin (%)	86.5	88.1	87.3			86.2	87.1	
EBIT margin (%)	53.8	55.1	55.4			54.6	54.8	
Net Interest Coverage (x)	2.7	2.7	2.8			2.8	2.8	
Debt/Asset Ratio (%)	41.0	41.3	41.2			41.0	41.2	

Source: Company, AmInvestment Bank

## EXHIBIT 2: VALUATION: AL-AQAR HEALTHCARE REIT

WACC	8.1%
Weighted Cost of Equity	6.0%
Average Cost of Debt	5.0%
Market risk premium	7.5%
Beta	0.9
Long term growth rate	2.0%
ESG Premium	0% premium
12-month target price	RM1.40

Source: AmInvestment Bank

**EXHIBIT 3: DIVIDEND DISCOUNT MODEL (DDM)****Discount Dividend Model****Assumption for Weighted Average Cost of Capital (WACC)**

Risk Free Rate	3.5%
Beta	0.9
Market Return	11.0%

<b>Cost of Equity (Ke)</b>	<b>10.3%</b>
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<b>Average Cost of Debt</b>	<b>5.0%</b>
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**Capital Structure: (RM Mil)**

Market Cap	1,160.7	58.2%
Total Borrowing	834.8	41.8%
Total	1,995.5	100.0%

**Weighted Average Cost of Capital (WACC):**

	Weight	Cost	W X C
Cost of Equity (Ke)	58.2%	10.3%	6.0%
Average Cost of Debt	41.8%	5.0%	2.1%
<b>WACC</b>			<b>8.1%</b>

<b>Multi-Stage DDM</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>Terminal Value</b>
<b>Period</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
Dividends (RM)	0.07	0.08	0.09	0.09	0.09	1.57
Present Value (RM)	0.06	0.07	0.07	0.07	0.06	1.06
<b>Valuation</b>	<b>1.40</b>					
<b>(+3%) adjustment for 4-star ESG rating</b>	<b>0.00</b>					
<b>Fair Value/unit (RM)+ESG</b>	<b>1.40</b>					
WACC (%)	8.1%					
Growth Rate (%)	2%					

Source: AmlInvestment Bank Bhd, Company data

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**Company profile**

Al-Aqar Healthcare REIT was established on 28 June 2006 through a trust deed between Damansara REIT Managers Sdn Bhd and AmanahRaya Trustees Berhad. It has been listed on Bursa Malaysia's Main Market since 10 August 2006. Al-Aqar Healthcare REIT is Malaysia's first and only Islamic REIT dedicated exclusively to the healthcare sector, providing investors with direct access to the country's expanding private healthcare market. Its strategy is anchored in long-term master lease agreements with reputable healthcare operators—most notably KPJ Healthcare Berhad, which contributes the bulk of its rental income. This leasing model ensures stable and recurring cash flows, while enabling tenants to unlock capital for growth, aligning the REIT's expansion with that of its operators. With a strong net property income margin and a reliable distribution history, Al-Aqar positions itself as a defensive, income-focused investment. The REIT is also well-placed to benefit from structural trends such as increasing healthcare demand, rising insurance penetration, and Malaysia's aging population, making it a compelling proxy for long-term growth in the regional healthcare industry

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**Investment thesis and catalysts**

Strong income visibility, but growth remains limited by high gearing (41.2%), capital constraints, and dependence on a single tenant. Liquidity risks persist due to concentrated ownership among six major shareholders. With share price upside below 15%, we reiterate our HOLD call.

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**Valuation methodology**

We are valuing the stock Al-Aqar Healthcare REIT at RM1.40/unit using a Dividend Discount Model, implying a modest 10.2% upside. The valuation is based on assumptions including an 8.1% WACC, 0.9 beta, 7.5% market risk premium, 5.0% pre-tax debt cost, and 2% long-term growth.

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**Risk factors**

Risk to our call includes higher than expected 10-year MGS yield following the elevated interest rates in US post elections which could lower distribution yield spread and attraction for the REIT. Also, any slowdown in consumption spending from a slower economic growth and subsidy rationalizations could impact the malls' rental reversion rates and occupancy rates.

## EXHIBIT 4: ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating				Rationale
1	Scope 1 GHG Emissions	t/Co2e	20%	*	*	*		35% YoY increase in FY24
2	Scope 2 GHG Emissions	t/Co2e	20%	*	*	*		16.7% YoY increase in FY24
3	Scope 3 GHG Emissions	t/Co2e	20%	*	*	*		2.8% YoY increased in FY24
4	Water usage	ml	20%	*	*	*	*	0 in FY24
5	Energy usage	GJ	10%	*	*			37.8% increase YoY in FY24
6	Waste management	Amount of waste diverted away from disposal	10%	*	*	*		NA
	<b>Weighted score for environmental assessment</b>		<b>100%</b>	*	*	*		
	<b>Social assessment</b>							
1	Health, safety & well-being	Recorded injuries	25%	*	*	*	*	Number of fatalities zero
2	Women in workforce	% of total workforce in management	25%	*	*	*		45% in management
3	Investment in employee training	Total number of hours of training per year for employees	25%	*	*	*		Increased 1.5%YoY in FY24
4	Procurement sourcing from local vendors	% of total procurement	25%	*	*	*		87% in FY24 lower than 93% in FY23
	<b>Weighted score for social assessment</b>		<b>100%</b>	*	*	*		
	<b>Governance assessment</b>							
1	Board age diversity	% under 60 years old	20%	*	*	*	*	75%
2	Board women representation	% of total board directors	20%	*	*			25% representation in FY24 <30%
3	Directors with tenure below 6 years	% below 6 years category	20%	*	*	*		88% below 6 years tenure
4	Independent board directors	% of total board directors	20%	*	*	*		50% - independent non-exec
5	Remuneration to directors	% of total staff costs	20%	*	*	*		NA
	<b>Weighted score for governance assessment</b>		<b>100%</b>	*	*	*		
	Environmental score		40%	*	*	*		
	Social score		30%	*	*	*		
	Governance score		30%	*	*	*		
	<b>Overall ESG Score</b>		<b>100%</b>	*	*	*		

Source: Company, AmInvestment Bank

## EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Gross Revenue	121.0	117.2	117.9	134.6	137.3
Property Operating Expenses	(16.3)	(16.3)	(16.9)	(19.0)	(18.8)
Net property income (NPI)	105.4	101.5	101.6	116.2	119.0
Net Investment Income	100.3	96.1	101.6	116.2	119.0
Net interest	(35.4)	(35.1)	(38.9)	(39.8)	(39.9)
Exceptional items	0.0	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>60.6</b>	<b>58.1</b>	<b>59.2</b>	<b>72.3</b>	<b>75.1</b>
Taxation	0.1	0.2	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Net income	60.7	58.3	59.2	72.3	75.1
<b>Distributable Income</b>	<b>63.2</b>	<b>62.2</b>	<b>59.2</b>	<b>72.3</b>	<b>75.1</b>
<b>Balance Sheet (RMmil, YE 31 Dec)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>
Plant and Equipment	1,643.2	1,654.4	1,895.4	1,895.4	1,895.4
Investment Properties	0.0	0.0	0.0	0.0	0.0
<b>Total non-current assets</b>	<b>1,643.2</b>	<b>1,654.4</b>	<b>1,895.4</b>	<b>1,895.4</b>	<b>1,895.4</b>
Cash & equivalent	84.3	87.3	56.5	49.7	44.9
Trade receivables	51.4	50.7	48.7	55.5	56.6
Other current assets	77.1	43.5	1.6	1.6	1.6
<b>Total current assets</b>	<b>212.8</b>	<b>181.5</b>	<b>106.8</b>	<b>106.8</b>	<b>103.1</b>
Trade payables	0.0	0.0	0.0	0.0	0.0
Short-term borrowings	79.9	109.9	109.9	109.9	109.9
Other current liabilities	8.0	5.7	20.0	22.9	23.3
<b>Total current liabilities</b>	<b>87.9</b>	<b>115.6</b>	<b>129.9</b>	<b>132.8</b>	<b>133.2</b>
Long-term borrowings	677.9	649.2	727.4	727.4	727.4
Other long-term liabilities	17.9	17.6	10.8	12.1	12.4
<b>Total long-term liabilities</b>	<b>695.8</b>	<b>666.8</b>	<b>738.2</b>	<b>739.5</b>	<b>739.8</b>
<b>Total Unitholders' funds</b>	<b>1,072.3</b>	<b>1,053.5</b>	<b>1,134.1</b>	<b>1,129.9</b>	<b>1,125.5</b>
Minority interests	—	—	—	—	—
NAV per unit (RM)	1.3	1.3	1.3	1.2	1.2
<b>Cash Flow (RMmil, YE 31 Dec)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>
Pretax profit	60.6	58.1	59.2	72.3	75.1
Depreciation/Amortisation	0.0	0.0	0.0	0.0	0.0
Net change in working capital	(16.2)	(3.0)	9.5	(2.6)	(0.4)
Others	56.9	40.9	60.4	26.3	21.3
<b>Cash flow from operations</b>	<b>101.3</b>	<b>96.0</b>	<b>129.2</b>	<b>96.0</b>	<b>96.0</b>
Capital expenditure	0.0	(2.2)	0.0	0.0	0.0
Net investments & sale of fixed assets	0.0	13.0	(199.0)	0.0	0.0
Others	1.5	1.9	1.1	1.0	0.9
<b>Cash flow (used in) / from Investing</b>	<b>1.5</b>	<b>12.7</b>	<b>(197.9)</b>	<b>1.0</b>	<b>0.9</b>
Debt raised/(repaid)	(100.0)	0.0	78.2	0.0	0.0
Equity raised/(repaid)	98.3	0.0	84.0	0.0	0.0
Distribution paid to unitholders	(78.3)	(66.1)	(62.7)	(76.6)	(79.5)
Others	(36.7)	(34.5)	(40.0)	(40.8)	(40.8)
<b>Cash flow (used in) / from Financing</b>	<b>(116.6)</b>	<b>(100.6)</b>	<b>59.5</b>	<b>(117.3)</b>	<b>(120.3)</b>
<b>Net cash flow</b>	<b>(13.9)</b>	<b>8.2</b>	<b>(9.3)</b>	<b>(6.9)</b>	<b>(4.8)</b>
<b>Net cash/(debt) b/f</b>	<b>74.6</b>	<b>62.8</b>	<b>65.8</b>	<b>56.5</b>	<b>49.7</b>
<b>Net cash/(debt) c/f</b>	<b>62.8</b>	<b>65.8</b>	<b>56.5</b>	<b>49.7</b>	<b>44.9</b>
<b>Key Ratios (YE 31 Dec)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>
Revenue growth (%)	9.8	-3.1	0.6	14.1	2.0
NPI margin (%)	86.6	86.2	85.7	86.0	86.4
Pretax margin (%)	49.7	49.3	50.0	53.5	54.5
Net income margin (%)	49.8	49.4	50.0	53.5	54.5
Interest cover (x)	2.7	2.7	2.5	2.8	2.9
DPU payout (%)	101.8	98.1	98.0	98.0	98.0
Receivable turnover (days)	151.2	158.0	153.0	140.8	148.6
Payable turnover (days)	0.0	0.0	0.0	0.0	0.0

Source: Company, AmlInvestment Bank Bhd estimates

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