Ping An Healthcare and Technology Company (1833 HK)

1H26: Bottom Line Beat On Margin Expansion; Non-core Business Run-off Weighs On 2026 Revenue

Highlights

- PAGD's 1H26 revenue decreased 0.7% yoy amid run-off of non-core business, while adjusted net profit rose 37.7% yoy on strong margin expansion, beating our and consensus' 2026 estimates.
- We lower 2026 revenue growth estimates to 0.2% yoy, but forecast revenue and adjusted net profit CAGR of 14% and 35% for 2026-28, supported by continued business mix optimisation towards corporate health management and AI enablement.
- Maintain BUY with a lower target price of HK$10.00, with medium-term earnings momentum still intact.

1H26 Results

Year to 31 Dec (Rmbm)	1H25	1H26	yoy % chg
Revenue	2,502	2,484	-0.7
Commercial insurance enablement	1,584	1,584	0.0
Corporate health management	432	714	65.1
Others	486	186	-61.8
Gross profit	840	957	13.9
Selling expenses	-381	-386	1.3
G&A expenses	-372	-406	9.0
Operating profit (EBIT)	87	165	90.3
Profit attributed to shareholders	134	219	63.5
Adjusted Net Profit	165	227	37.7
Ratios (%)	1H25	1H26	yoy ppt chg
GP margin	33.6	38.5	5.0
Selling expense	15.2	15.5	0.3
Admin expense	14.9	16.3	1.5
EBIT Margin	3.5	6.6	3.2
Net margin	5.4	8.8	3.5
Adj. Net Margin	6.6	9.1	2.5

Source: PAGD, UOB Kay Hian

Analysis

- **Bottom line beat in 1H26.** Ping An Healthcare and Technology Company's (PAGD) 1H26 revenue declined by 0.7% yoy to Rmb2.48b, below our and consensus' 2026 estimates of 5.4% and 8.6% yoy. Adjusted net profit rose 37.7% yoy to Rmb227m in 1H26, beating our and consensus' 2026 estimates of 11.1% and 12.4% yoy. In 2Q26, revenue declined 8.0% yoy, while adjusted net margin improved to 10.7% vs 7.6% in 2025 and 7.3% in 1Q26.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	4,808	5,468	5,481	6,231	7,132
EBITDA	-74	172	353	574	856
Operating profit	-170	98	318	537	816
Net profit (rep./act.)	81	380	486	658	887
Net profit (adj.)	158	414	497	671	903
EPS (Fen)	13.1	20.1	23.3	31.5	42.3
PE (x)	46.7	30.4	26.3	19.4	14.5
P/B (x)	1.8	1.3	1.3	1.2	1.1
EV/EBITDA (x)	n.a.	62.6	30.6	18.8	12.6
Dividend yield (%)	0.0	26.2	0.0	0.0	0.0
Net margin (%)	1.7	6.9	8.9	10.6	12.4
Net debt/(cash) to equity (%)	-57.0	-17.3	-23.4	-32.3	-42.8
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	1.0	5.6	4.8	6.1	7.7
Consensus net profit	-	-	457	591	727
UOBKH/Consensus (x)	-	-	1.09	1.14	1.24

Source: PAGD, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$7.13
Target Price	HK$10.00
Upside	+40.3%
Previous TP	HK$11.00

Stock Data

Sector	Health Care
Bloomberg ticker	1833 HK
Shares issued (m)	2,161
Market cap (HK$m)	15,411
Market cap (US$m)	1,966
3-mth avg daily t'over (US$m)	12.4

Price Performance (%)

52-week high/low: HK$24.40/HK$6.57

1mth	3mth	6mth	1yr	YTD
(4.9)	(26.4)	(48.7)	(57.8)	(49.4)

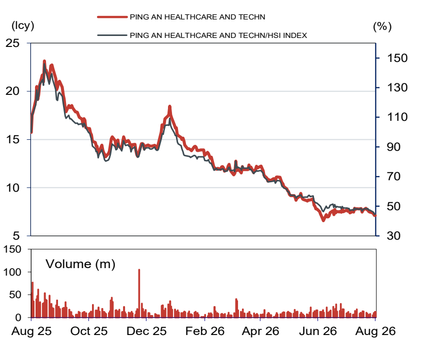
Major Shareholders (%)

Ping An Group	53.7

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	4.9
FY26 Net Cash/Share (Rmb)	1.1

Price Chart



Source: Bloomberg

Company Description

PAGD is the leading online healthcare service provider in China, offering a mobile platform for online consultation, hospital referral and appointment, health management and wellness interaction services.

- **1H26 revenue softened on deliberate run-off of non-core business.** By segment, commercial insurance enablement revenue was flat yoy at Rmb1.58b in 1H26 amid the ongoing business transition. Corporate health management revenue surged 65.1% yoy to Rmb714m, lifting its share of total revenue to 28.7% (up 11.5ppt yoy from 17.3% in 1H25). It served over 7,700 paying corporate clients (up over 73% yoy), with segment gross merchandise volume (GMV) of over Rmb1.79b. Revenue from these two core segments together grew around 14.0% yoy. Other revenue fell 61.8% yoy to Rmb186m as the company deliberately ran off low-margin non-core businesses (eg non-core online mall product sales and low-margin check-up projects).
- **Profitability continues to improve in 1H26 on optimising business mix and AI enablement.** Gross margin improved 5.0ppt yoy to 38.5% in 1H26, driven by optimising revenue mix towards higher-margin corporate health management business and AI enablement. AI contributed around 4.6% of gross profit in 1H26 (vs around 4.5% in 2025). The selling, general and administrative (SG&A) expense/revenue ratio modestly rose 1.8ppt yoy to 31.9% in 1H26, reflecting fast expansion of core businesses. Adjusted net margin rose to 9.1% in 1H26, up from 7.6% in 2025 and 7.3% in 1Q26. Management expects gross margin to remain at a relatively high and reasonable level in 2H26.
- **Corporate health management continues to drive growth, targeting over 50% revenue contribution in the long term.** PAGD highlighted that corporate health management and commercial insurance enablement together anchor its growth strategy. It indicated that corporate health management has already reached profitable scale, and expects the segment to contribute over 50% of total revenue over the long term. Commercial insurance enablement remains a stable driver, supported by deeper integration with Ping An Group's insurance and banking channels. Home-based customers entitled to services surpassed 310,000 by end-Jun 26. First-year premium from customers using "Ping An Home" benefits increased 9.7x. The omni-channel network and Ping An Health Pay (covering around 149,000 pharmacies and 80% of pharmacy GMV) continue to strengthen the ecosystem. PAGD expects residual drag from non-core business to persist through 2026 and early-27 given varying fulfilment cycles.
- **AI-enabled innovation to enhance service capabilities.** PAGD continued to scale AI in 1H26, anchored by its large multimodal model, Ping An Medical Master, and five vertical AI models across key medical scenarios. AI Doctor-aided diagnosis/treatment covered over 11,300 diseases with nearly 96% accuracy rate at end-Jun 26 (vs 95.1% at end-25), while the multidisciplinary team (MDT) platform reached nearly 90% accuracy and expanded from breast to gastric cancer. "AI + Physician" services covered 100% of Ping An Group's retail customers, with AI Doctor used by over 9.7m people.

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$10.00,** based on 2.9x 2027F P/S (implying 27.4x 2027F PE), reflecting the slower near-term revenue trajectory as non-core business is run off. The stock is currently trading at 2.1x 2027F P/S and 19.9x 2027F PE.

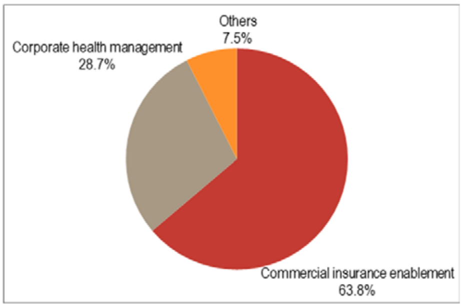
Earnings Revision/Risk

- We lower our 2026 revenue growth estimates from 5.4% yoy to 0.2% yoy, while lifting adjusted net earnings estimates from Rmb460m to Rmb497m, based on softer revenue outlook and faster margin expansion in 2026.
- **Risks:** a) Sector policy changes, b) slower recovery in commercial insurance enablement, c) intensifying competition, and d) possibly weaker-than-expected economic conditions.

Share Price Catalyst

- a) Solid 1H26 results and bright 2026-28 growth outlook, b) deepened synergies with Ping An, c) enhancing service capabilities/efficiency with AI empowerment, and d) continued revenue mix improvement and margin expansion in 2H26/2027.

Segmental Revenue (1H26)



Source: PAGD, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	5,468	5,481	6,231	7,132
EBITDA	172	353	574	856
Deprec. & amort.	75	35	37	40
EBIT	98	318	537	816
Total other non-operating income	177	135	139	143
Associate contributions	-	-	-	-
Net interest income/(expense)	106	100	100	100
Pre-tax profit	381	553	776	1,058
Tax	(3)	(66)	(116)	(169)
Minorities	2	(1)	(1)	(2)
Net profit	380	486	658	887
Net profit (adj.)	414	497	671	903

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	86	90	98	108
Other LT assets	4,457	4,457	4,458	4,460
Cash/ST investment	1,720	2,439	3,573	5,114
Other current assets	6,968	7,020	7,258	7,544
Total assets	13,231	14,007	15,388	17,226
ST debt	-	-	-	-
Other current liabilities	3,214	3,504	4,225	5,174
LT debt	-	-	-	-
Other LT liabilities	112	112	112	112
Shareholders' equity	9,916	10,403	11,062	11,951
Minority interest	(11)	(11)	(11)	(11)
Total liabilities & equity	13,231	14,007	15,388	17,226

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	451	659	1,080	1,493
Pre-tax profit	381	553	776	1,058
Tax	(3)	(66)	(116)	(169)
Deprec. & amort.	75	35	37	40
Associates	-	-	-	-
Working capital changes	97	237	483	664
Non-cash items	-	-	-	-
Other operating cashflows	(99)	(100)	(100)	(100)
Investing	3,172	60	55	48
Capex (growth)	(40)	(40)	(45)	(52)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	3,212	100	100	100
Financing	(3,945)	-	-	-
Dividend payments	(3,672)	-	-	-
Proceeds from borrowings	-	-	-	-
Loan repayment	-	-	-	-
Others/interest paid	(273)	-	-	-
Net cash inflow (outflow)	(321)	719	1,134	1,541
Beginning cash & cash equivalent	2,045	1,720	2,439	3,573
Changes due to forex impact	(3)	-	-	-
Ending cash & cash equivalent	1,720	2,439	3,573	5,114

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	32.4	37.5	37.9	38.3
Pre-tax margin	7.0	10.1	12.4	14.8
Net margin	6.9	8.9	10.6	12.4
ROA	2.5	3.6	4.5	5.4
ROE	5.6	4.8	6.1	7.7
Growth				
Turnover	13.7	0.2	13.7	14.5
Gross profit	16.3	16.0	14.9	15.7
Pre-tax profit	306.1	45.2	40.3	36.4
Net profit	366.1	28.0	35.5	34.8
Net profit (adj.)	161.3	20.1	35.0	34.5
EPS	53.4	15.9	35.0	34.5
Leverage				
Debt to total capital	-	-	-	-
Debt to equity	-	-	-	-
Net debt/(cash) to equity	(17.3)	(23.4)	(32.3)	(42.8)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.