UOBKayHian

Healthcare

Internet Healthcare: Turning Point Toward Compliant Value Realisation

MARKET WEIGHT
(Maintained)

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Highlights

- China's internet healthcare segment is shifting from traffic-driven drug retail to high-value full-cycle disease management, supported by grassroots medical insurance reforms, innovative drug inclusion, compliance-driven marketing shifts, and generative AI commercialisation.
- Short-term regulatory and pricing pressures on retail are offset by profitability inflection, innovative drug momentum, and high-margin services at leading platforms.
- We maintain BUY on Ali Health, PAGD, and Medlive. Maintain MARKET WEIGHT on China's healthcare sector.

Analysis

- **Clearer regulatory framework brings short-term pressure and long-term benefits.** China's finalised Compliance Guidelines for Online Retail of Prescription Drugs in May 26 introduce stricter requirements, mandate pharmacist-only prescription reviews (explicitly banning AI), enforce a strict "prescription-first" model prohibiting drug information display before verification, and ban aggressive marketing practices that encourage irrational use. Third-party platforms also face tougher obligations on merchant qualification checks and risk monitoring. JD Health noted that the guidelines mainly target smaller non-compliant players and offline pharmacies, leaving its fully compliant operations largely unaffected. While raising compliance costs and creating short-term pressure on the sector by curbing impulsive demand, the framework will drive industry consolidation, improve patient safety, and ultimately benefit leading compliant platforms like Ali Health and JD Health over the longer term.
- **Positive policy tailwinds are strengthening the long-term growth thesis for internet healthcare and AI.** China's graded diagnosis policies introduced in Apr 26 require Class III hospitals to redirect routine chronic disease follow-ups (eg hypertension and diabetes) to primary and community facilities, positioning internet hospitals as the core online channel and sustaining volume growth in chronic care management. Complementing this, 12 AI-assisted diagnostics were included in the national Category B reimbursement list effective Apr 26, marking the world's first national AI reimbursement mechanism. This enables hospital adoption via reimbursable service fees and creates new monetisation opportunities for internet healthcare companies that integrate or partner on AI-assisted diagnosis, chronic disease management, and follow-up services. Meanwhile, online medical insurance settlements have accelerated their rollout across major provincial markets, reducing payment friction and boosting patient retention. Further structural support includes relaxed STAR Market listing criteria for medical AI and digital therapeutics firms, and a five-ministry roadmap targeting widespread AI-assisted diagnosis coverage in secondary and above hospitals by 2030.

Segment Picks

Company	Ticker	Rec	Share Price (LCY)	Target Price (LCY)
Ali Health	241 HK	BUY	3.35	5.20
Medlive	2192 HK	BUY	7.45	11.00
Ping An Good Doctor	1833 HK	BUY	7.48	11.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

	Ticker	Rec	Price @ 13-Jul-26 (LCY)	Target Price (LCY)	Upside/(Downside) to TP (%)	Market cap (US$m)	PE 2025F (x)	PE 2026F (x)	P/B 2025F (x)	P/B 2026F (x)	P/S 2025F (x)	P/S 2026F (x)	ROE (%)	Net gearing (%)	EPS CAGR 2025F-27F (%)	PEG 2026F (x)
Ali Health	241 HK	BUY	3.35	5.20	55.3	6,913.3	20.4	17.7	2.8	2.6	1.2	1.1	13.9	-56.0	0.14	0.16
Ping An Good Doctor	1833 HK	BUY	7.48	11.00	47.1	2,062.7	29.0	19.9	1.3	1.2	2.3	2.0	6.0	-32.8	0.2	0.3
Medlive	2192 HK	BUY	7.45	11.00	47.7	703.5	12.2	10.5	0.9	0.9	6.5	5.5	8.6	12.4	0.5	0.6
JD Health	6618 HK	Not Rated	36.70	N/A	N/A	15,035.1	15.9	13.4	1.5	1.4	1.2	1.0	9.4	-52.7	2.0	2.4
MedSci Healthcare	2415 HK	Not Rated	0.78	N/A	N/A	60.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-100.0	n.a.	n.a.
YSB	9885 HK	Not Rated	3.84	N/A	N/A	338.9	8.9	6.3	0.8	0.7	0.1	0.1	9.5	56.6	0.4	0.5
Dingdang Health	9886 HK	Not Rated	0.94	N/A	N/A	150.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-23.7	n.a.	n.a.
Sipai Health	314 HK	Not Rated	1.39	N/A	N/A	129.0	40.1	13.4	1.0	0.9	0.5	0.8	2.2	-25.2	0.0	0.1
160 Health	2656 HK	Not Rated	9.37	N/A	N/A	402.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-72.0	n.a.	n.a.
HealthyWay	2587 HK	Not Rated	2.28	N/A	N/A	254.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-81.4	n.a.	n.a.
Winning Health	300253 CH	Not Rated	6.91	N/A	N/A	2,243.4	276.4	86.4	2.7	2.6	6.4	5.6	0.9	-9.0	0.03	0.08
B-Soft	300451 CH	Not Rated	3.41	N/A	N/A	779.1	n.a.	170.5	1.3	1.3	4.6	4.2	-1.2	-21.6	-0.03	0.02
Yidu Tech	2158 HK	Not Rated	5.15	N/A	N/A	670.1	67.5	38.7	1.3	1.2	4.5	3.8	2.0	-20.3	0.07	0.12
Xunfei Healthcare	2506 HK	Not Rated	70.75	N/A	N/A	1,091.1	n.a.	327.3	8.4	7.7	6.3	4.7	-3.0	-8.6	-0.1	0.2
ClouDr	9955 HK	Not Rated	0.54	N/A	N/A	44.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-25.0	n.a.	n.a.
Fangzhou Inc	6086 HK	Not Rated	0.71	N/A	N/A	125.5	18.1	8.0	n.a.	n.a.	0.2	0.1	18.0	-181.3	0.03	0.08
Average							26.5	16.0	2.2	2.1	3.1	2.6	7.8	-40.0	25.3%	0.9

Source: Bloomberg, UOB Kay Hian

- **Moving from drug retail to full-cycle disease management.** Internet healthcare platforms are advancing AI-driven full-cycle disease management models. JD Health has partnered with Novo Nordisk to build a one-stop diagnosis-to-management model for Semaglutide-linked obesity and diabetes, and separately collaborates with Roche on influenza prevention. Ant Health has partnered with Novartis on digital chronic disease management for chronic spontaneous urticaria. This structural shift from prescription fulfilment to integrated chronic-care loops raises platform stickiness and per-patient monetisation. As a result, leading platforms such as JD Health, Ping An Good Doctor, and Ali Health are positioned to benefit from rising demand for AI-enabled patient management, which is emerging as the next competitive battleground for internet healthcare companies.
- **Tech giants and AI companies are deepening involvement with strong commercial traction.** ByteDance is investing about Rmb6b in the Beijing Airui International Healthcare Complex (target completion by end-29) to build an AI-powered full-service medical ecosystem, and has spun off Anew Lab in Jun 26 for AI drug discovery. Yidu Tech achieved its first full-year profit in FY26, driven by AI-enhanced products eg the clinical evidence-based agent Yidu Zhixun and strong order growth from top hospitals. These developments, alongside the national AI application pilot bases, highlight accelerating commercial traction and profitability across China's AI healthcare ecosystem, reinforcing long-term growth prospects and competitive differentiation.
- **Ali Health (241 HK/BUY/Target: HK$5.20)** delivered solid FY26 results with revenue and adjusted net profit growing 12% and 19% yoy respectively. It guided for revenue growth of 10-15% yoy and adjusted net profit of Rmb1.9b-2.3b (1-18% yoy decline), backed by high-teens FY27 revenue growth for innovative drugs, and reflecting accelerated investment in innovative drugs and AI. It declared its first dividend for FY26 and expects to maintain a sustainable dividend policy. It announced plans to unify command over Alibaba Group's B2C and O2O pharmaceutical operations. It also officially launched its doctor-focused medical AI large model Hydrion (氫離子) in May 26, and secured exclusive journal content cooperation with BMJ Group backed by over 300 clinical experts. Its unified B2C+O2O operations and pharma traceability solutions are winning deeper MNC partnerships. Despite the near-term moderation in profit growth, we continue to see structural growth opportunities for Ali Health, supported by sustained innovative drug momentum, expanding AI adoption, and deepened Alibaba ecosystem synergies. We forecast FY26-28 CAGRs of 12% and 15% for its revenue and adjusted net profit respectively.
- **JD Health (6618 HK/Not Rated)** delivered resilient 1Q26 results with revenue and adjusted net profit up 17% and 6% yoy respectively, supported by new partnerships with leading pharmaceutical companies (eg Organon, Kenvue, CR Jiangzhong, and Shouer Pharmaceutical), and over 30 new drug launches including Novartis' Phapsido and Lumirix. The company further integrated its AI medical assistant, AI Jingyi, into a closed-loop service model covering consultation, testing, diagnosis, and pharmaceutical fulfilment, with usage of its AI agent Dr. Da Wei (大為醫生) in early-26 already surpassing the full-year total of 2025, underscoring rapid adoption. Strategic initiatives continued with a US$1b share repurchase programme in May 26 and expanded collaborations with Abbott on AI-powered glucose monitoring and with Yuyue Medical on a three-year 15m-unit smart device connectivity plan, alongside exclusive novel drug launches. JD Health's supply chain strengths, rapid new drug introductions, and multinational full-journey collaborations enhance differentiation, while regulatory impacts remain manageable given its compliance leadership. Long-term tailwinds from graded diagnosis diversion and chronic disease management position the company to shift

growth reliance from pure drug sales toward higher-margin services, enhancing monetisation and margin resilience.

- **Ping An Good Doctor (1833 HK/BUY/Target: HK$11.00)** posted satisfactory 1Q26 results with revenue and adjusted net profit up by 9% and 46% yoy, respectively. Recent operational updates include new strategic collaborations with Pfizer China and Roche, a partnership with Winning Health for online insurance settlement, and a CFO transition in Jun 26. Its AI doctor services, now integrated into Ping An Group's ecosystem with 90m MAU, continue to enhance efficiency. The company guided for mid-single-digit revenue growth in 2026, reflecting a temporary transition in commercial insurance enablement, and expected steady improvement in net earnings. We expect 2026 revenue growth of 5.4% yoy but forecast revenue and adjusted net profit CAGR of 14% and 42% respectively for 2026-28 for the company, driven by corporate health management. We lower target price from HK$14.50 to HK$11.00, based on a lower 3.4x 2026 P/S (previously 4.5x), in view of sector-wide multiple compression across the internet healthcare segment.
- **Medlive (2192 HK/BUY/Target: HK$11.00)** delivered solid 2025 results with revenue and adjusted net profit up 15.0% and 5.7% yoy respectively, supported by precision marketing and AI clinical tools that reinforce its physician-focused positioning. It guided for 20% yoy product count growth in 2026, underpinned by platform scale and AI upgrades. We maintain our 2026 revenue and adjusted net profit growth estimates at 15.4% and 14.1% yoy respectively. The company continues to expand multinational collaborations, which strengthen academic promotion and real-world data services, while AI-enabled physician tools enhance user stickiness and service competitiveness. As a doctor-focused platform, Medlive remains insulated from retail regulatory pressures, offering resilient cash flows and defensiveness in digital pharma services. The company also approved a 10% share buyback mandate in May 26, further supporting shareholder returns. Maintain BUY and target price of HK$11.00, based on 18.4x 2026F PE.

Valuation/Recommendation

- **Maintain MARKET WEIGHT** on China's healthcare sector. We continue to prefer leading drug innovators with robust pipelines and strong revenue and earnings expansion potential. Our top picks are Innovent, BeOne Medicines, WuXi AppTec, and WuXi Bio.
- Ali Health (241 HK) remains our top pick in the internet healthcare segment for its: a) solid revenue growth with sustained momentum in innovative drugs/ healthcare products, b) deeper Alibaba synergies, c) expanding AI adoption, and d) first-ever dividend with a sustainable dividend policy expected.

Sector Catalyst/Risk

- **Catalysts:** a) Robust revenue and earnings growth for leading players; b) accelerating AI adoption enhancing service capability and efficiency; c) deepening synergies across major tech and insurance ecosystems; d) rising demand for innovative drugs, chronic care and senior care via digital channels, e) supportive policies (eg national AI diagnostics reimbursement, expanded online insurance settlement, and STAR Market listing relaxation for medical AI/digital therapeutics); and f) growing user penetration from policy tailwinds and AI-driven full-scenario services.
- **Risks:** a) Segment policy changes, b) intensifying competition, c) economic downturn risks, d) profitability delays in scaling AI ecosystems beyond e-pharmacy, and e) data privacy/compliance hurdles for AI models.