

Ping An Healthcare and Technology Company (1833 HK)

3Q26: Revenue Decline Deepens; Low-Margin Business Run-off To Weigh On Revenue Until Early-27

Highlights

- PAGD's 3Q26 revenue and adjusted net profit fell 16.2% and 38.6% yoy respectively on continued low-margin business run-off. 9M26 revenue decreased 5.8% yoy, while adjusted net profit rose 19.5% yoy.
- The company guided for low-teens decline in 2026 revenue and around-breakeven profit in 2H26. We maintain our 2026 revenue and adjusted net profit growth forecasts at -12.1% and -40.1% yoy, respectively.
- Maintain HOLD with a lower target price of HK\$6.00, reflecting a deeper 2H26 revenue drag and limited visibility on 2027's recovery pace.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	3Q26	yoy % chg	9M25	9M26	yoy % chg
Revenue	1,222.4	1,024.5	-16.2%	3,724.6	3,508.3	-5.8%
Net profit / (loss)	48.5	28.4	-41.4%	183.4	248.2	35.3%
Adjusted net profit / (loss)	51.4	31.5	-38.6%	216.1	258.3	19.5%
Ratios (%)	3Q25	3Q26	yoy ppt chg	9M25	9M26	yoy ppt chg
Net margin	4.0%	2.8%	-1.2	4.9%	7.1%	2.2
Adjusted net margin	4.2%	3.1%	-1.1	5.8%	7.4%	1.6

Source: PAGD, UOB Kay Hian

Analysis

- 3Q26 revenue decline deepened to 16.2% yoy.** Ping An Healthcare and Technology Company's (PAGD) 9M26 revenue fell 5.8% yoy, while adjusted net profit rose 19.5% yoy to Rmb258m, already exceeding our and consensus estimated Rmb248m (-40.1% yoy) and Rmb298m (-28.0% yoy) for 2026. However, 3Q26 revenue dropped 16.2% yoy to Rmb1.02b, a sharper decline vs 8.0% yoy in 2Q26. Adjusted net profit fell 38.6% yoy to Rmb32m in 3Q26, with adjusted net margin narrowing 1.1ppt yoy to 3.1%. The 3Q26 results are mixed, with a deeper revenue decline but profit ahead of our forecast.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	4,808	5,468	4,808	5,328	5,977
EBITDA	-74	172	101	224	380
Operating profit	-170	98	65	189	343
Net profit (rep./act.)	81	380	238	329	437
Net profit (adj.)	158	414	248	340	450
EPS (Fen)	13.1	20.1	11.6	15.9	21.1
PE (x)	36.1	23.5	40.7	29.7	22.4
P/B (x)	1.4	1.0	1.0	1.0	0.9
EV/EBITDA (x)	n.a.	46.8	80.1	36.0	21.3
Dividend yield (%)	0.0	33.9	0.0	0.0	0.0
Net margin (%)	1.7	6.9	5.0	6.2	7.3
Net debt/(cash) to equity (%)	-57.0	-17.3	-21.3	-28.2	-37.0
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	1.0	5.6	2.4	3.2	4.1
Consensus net profit	-	-	298	397	497
UOBKH/Consensus (x)	-	-	0.83	0.86	0.91

Source: PAGD, Bloomberg, UOB Kay Hian

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HOLD (Maintained)

Share Price	HK\$5.56
Target Price	HK\$6.00
Upside	+8.0%
Previous TP	HK\$6.70

Stock Data

Sector	Health Care
Bloomberg ticker	1833 HK
Shares issued (m)	2,161
Market cap (HK\$m)	12,018
Market cap (US\$m)	1,532
3-mth avg daily t'over (US\$m)	8.3

Price Performance (%)

52-week high/low			HK\$18.79/HK\$5.53	
1mth	3mth	6mth	1yr	YTD
(10.3)	(26.4)	(53.6)	(64.5)	(60.5)

Major Shareholders (%)

Ping An Group	53.7
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Balance Sheet Metrics

FY26 NAV/Share (Rmb)	4.8
FY26 Net Cash/Share (Rmb)	1.0

Price Chart



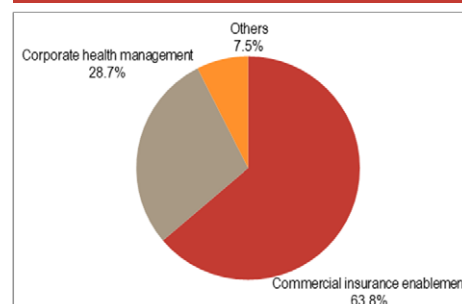
Source: Bloomberg

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.

- **Low-margin business run-off remains the main revenue headwind.** The revenue decline reflects PAGD's deliberate run-off of its low-margin business, which comprises mainly wholesale, physical goods sold through mall links on Ping An insurance apps and customised group check-ups. Other revenue fell 61.8% yoy in 1H26, and we expect the segment to fall over 50% in 2026. The run-off also pressures the commercial insurance enablement segment by reducing service volumes and cross-selling opportunities, with segment revenue guided to decline by a high single-digit percentage in 2026. The company is expecting the residual drag from low-margin non-core activities to persist throughout 2026 into early-27.
- **Corporate health management to maintain double-digit growth as the primary growth engine.** Paying corporate clients had exceeded 8,100 at end-Sep 26, up nearly 60% yoy, slowing from over 73% at end-Jun 26, and segment gross merchandise volume (GMV) continued to grow. PAGD has added JD Health, Meituan, Dingdang and Yifeng Pharmacy as platforms for employees' corporate health funds. Management still expects double-digit growth in 2026-27 and a long-term revenue contribution of over 50% for the corporate health management segment.
- **Commercial insurance enablement continues its product and service upgrade.** PAGD focused on upgrading its membership service system, which is deeply integrated with insurance products, to enhance competitive differentiation and support scenario-based marketing and customer acquisition through medical and health service benefits. This remains consistent with the shift towards higher-quality on-policy benefits highlighted following its 1H26 results.
- **Management guided for a low-teens 2026 revenue decline and around-breakeven 2H26 profit.** PAGD guided a low-teens 2026 revenue decline, consistent with our estimated decrease of 12.1% yoy for 2026, which implies around 25% yoy revenue decline in 4Q26 revenue. 1H27 is still expected to face residual pressure, albeit less severe than 2H26, as on-policy benefits and corporate health fund utilisation improve. Management expects 2H26 profit to be around breakeven. Gross margin expanded 5.0ppt yoy to 38.5% in 1H26 and may edge higher for the full year, though rising expenses from IT investment and the Shenzhen relocation imply margin pressure.
- **AI capabilities keep strengthening its service offering.** AI Doctor users reached nearly 13m during 9M26. The multidisciplinary team (MDT) platform now covers four major disease categories with around 90% accuracy rate. Ping An Health Pay service has expanded to 169,000 pharmacies, and over 320,000 customers are entitled to home-based senior care services. These assets should support retention and cross-selling over time.

Segmental Revenue (1H26)



Source: PAGD, UOB Kay Hian

Valuation/Recommendation

- **Maintain HOLD with a lower target price of HK\$6.00**, based on 2.0x 2027F P/S (implying 32.2x 2027F PE), reflecting the deeper 2H26 revenue decline and limited visibility on 2027's recovery pace. The stock is currently trading at 1.9x 2027F P/S and 29.8x 2027F PE.

Earnings Revision/Risk

- We maintain 2026-28 revenue and adjusted net profit estimates unchanged.
- **Risks:** a) Sector policy changes, b) longer-than-expected drag from low-margin non-core businesses, c) intensifying competition, and d) possibly weaker-than-expected economic conditions.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	5,468	4,808	5,328	5,977
EBITDA	172	101	224	380
Deprec. & amort.	75	35	35	36
EBIT	98	65	189	343
Total other non-operating income	177	106	99	79
Associate contributions	-	-	-	-
Net interest income/(expense)	106	100	100	100
Pre-tax profit	381	271	388	522
Tax	(3)	(33)	(58)	(83)
Minorities	2	(0)	(1)	(1)
Net profit	380	238	329	437
Net profit (adj.)	414	248	340	450

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	451	374	739	1,030
Pre-tax profit	381	271	388	522
Tax	(3)	(33)	(58)	(83)
Deprec. & amort.	75	35	35	36
Associates	-	-	-	-
Working capital changes	97	200	474	655
Non-cash items	-	-	-	-
Other operating cashflows	(99)	(100)	(100)	(100)
Investing	3,172	65	61	56
Capex (growth)	(40)	(35)	(39)	(44)
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)	439	800	1,086
Beginning cash & cash equivalent	2,045	1,720	2,159	2,959
Changes due to forex impact	(3)	-	-	-
Ending cash & cash equivalent	1,720	2,159	2,959	4,045

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	86	86	90	96
Other LT assets	4,457	4,456	4,457	4,458
Cash/ST investment	1,720	2,159	2,959	4,045
Other current assets	6,968	6,803	6,968	7,175
Total assets	13,231	13,505	14,474	15,773
ST debt	-	-	-	-
Other current liabilities	3,214	3,249	3,888	4,750
LT debt	-	-	-	-
Other LT liabilities	112	112	112	112
Shareholders' equity	9,916	10,155	10,485	10,923
Minority interest	(11)	(11)	(11)	(11)
Total liabilities & equity	13,231	13,505	14,474	15,773

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	32.4	37.5	37.8	38.1
Pre-tax margin	7.0	5.6	7.3	8.7
Net margin	6.9	5.0	6.2	7.3
ROA	2.5	1.8	2.4	2.9
ROE	5.6	2.4	3.2	4.1
Growth				
Turnover	13.7	(12.1)	10.8	12.2
Gross profit	16.3	1.7	11.7	13.1
Pre-tax profit	306.1	(28.7)	42.9	34.5
Net profit	366.1	(37.2)	38.0	32.9
Net profit (adj.)	161.3	(40.1)	37.0	32.3
EPS	53.4	(42.2)	37.0	32.3
Leverage				
Debt to total capital	-	-	-	-
Debt to equity	-	-	-	-
Net debt/(cash) to equity	(17.3)	(21.3)	(28.2)	(37.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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